

**APPROVED**  
**AUDIT ADVISORY BOARD REGULAR MEETING**  
**CITY OF FORT LAUDERDALE**  
**8th FLOOR CONFERENCE ROOM**  
**THURSDAY, JULY 31, 2014**  
**5:00 PM**

<b>Board Member</b>	<b>Attendance</b>	<b>Cumulative Attendance</b>	
		<b>10/1/13 – 9/30/14</b>	
		<b>Present</b>	<b>Absent</b>
Martin Kurtz, Chair	P	4	1
Roger Ally	A	4	1
Jennifer Diehl	P	4	1
Richard Owen	A	3	2
Kimberly Jackson	P	1	0

**Staff**

Stanley Hawthorne, Assistant City Manager  
Laura Garcia, Acting Controller  
John Herbst, City Auditor  
Marco Hausy, Assistant City Auditor III  
Kevin Keimel, Manager of Distributed System  
Laura Reece, Assistant Manager of CIP/Grants  
Darlene Pfeiffer, Business Manager, TAM  
Julie Leonard, Deputy Director, Airport  
Lura Rogers, Board Liaison

**Guest Presenter**

John Weber, Partner, Crowe Horwath

**Call to Order**

The Chairman called the meeting to order at 5:06 p.m.

## **Roll Call**

At July 31, 2014 meeting, three (3) appointed members to the Board were present allowing for a quorum.

As always, Chairman Kurtz begins the meeting by asking whether there is any public input to be heard before entering into the agenda. Hearing none, the discussion of the agenda begins.

## **Initial Audit Planning Discussion for Fiscal Year 2014**

John Weber, from the City's external auditor, Crowe Horwath updated the Board on the recommendations from last years' audit. In addition, he discussed the timeline for this year's annual audit process. In this regard, on-site work has already begun.

For two weeks beginning August 4<sup>th</sup>, a Crowe Horwath audit team was present updating internal control narratives, processing work flow charts, and reading current year minutes. In addition, inquiries with management about any relevant matters that may have taken place during the year were conducted. The process to test and corroborate internal controls was also undertaken at that time. Formalized risk assessments and establishing materiality thresholds will be undertaken.

At the end of December, the trial balance will be closed out. Starting January 5<sup>th</sup>, Crowe Horwath will begin the year-end process of auditing the final numbers. We anticipate receiving a draft of the financial statement on January 23<sup>rd</sup> to start our review process. Utilizing those financials, along with our field work, the goal is to have a final CAFR to us by February 9<sup>th</sup>. At that time, all of our final reviews, approvals and sign-offs can be attached.

The plan is have the CAFR available for Board examination prior to its March 5<sup>th</sup> meeting to allow for your review prior to being submitted to Commission. Chairman Kurtz suggested that this was essentially the same schedule as last year. Mr. Weber agreed. Within this approach, Ms. Diehl asked how the single audit process intersects with the annual audit function. Chairman Kurtz explained that the single audit will occur at the same time.

At this point, Chairman Kurtz invites Laura Reese to explain of the single audit findings and open Commission audits. Ms. Reese explains the process departments go through to track audit findings and observations which allows them to report on the resolution progress.

### **Discussion and Review of Open Findings Database**

Ms. Reese explained how the city monitors compliance audit findings. The budget office became responsible for audit compliance reporting because there were several open single audit findings related to grants for which they were responsible for tracking. Financial external audits were added to the process when auditors came to expect an interface with the ACTS system. Now internal or Commission audits coming from John Herbst office have become part of the compliance process.

All single audit findings are now closed as of last year. The financial external audit the majority of the findings are related to the Commissions audit. Barbara Smith met with each department to train them on using the ACTS system. Each quarter, departments are required to report on any finding that they believe has not been implemented. Mr. Herbst and his staff follows-up on the back-end and examines the responses for further action. The report shows everything that the budget office is still working on.

Chairman Kurtz questions some of responses contained in the report presented to the Board. He suggested that the responses lacked clarity as to actions being taken by the departments to resolve the outstanding issues.

Ms. Reese explains that the department reporting is a new process that will have a learning curve. Departments will offer better explanations as they learn what is expected and gear up their mechanisms to respond. Chairman Kurtz suggested that departments should be required to respond in some real terms that demonstrate action even given the learning curve.

Mr. Herbst and Ms. Reese both suggested that responses to older observations require some staff continuity or appropriate research since many date back to 2008. Chairman Kurtz queried whether they were all dated. Mr. Herbst responded that they were not and that his office had been reviewing areas that had been drawn to his attention.

City Auditor's office is working in several areas. An audit of the Parking Division has just been completed. One new audit relates to the procurement RFP process in general and is with the department for review. In this case, a RFP that had been challenged by vendors drew his attention to procurement procedures in issuing RFPs. After a review of the process, suggestions were made to modify the process. Mr. Herbst went on to say that while other areas require examination, the review of the new fiscal year budget has been the focus of his attention.

Ms. Diehl asked if the Commission audit findings are the internal audit findings. A positive response was provided by a number of staff. Ms. Garcia noted, however, that there are three external audit findings are still outstanding. Compensated absences for federation, fire and teamsters union employees must be resolved.

An audit observation about financial systems access and employee termination led to a discussion with input by both Mr. Herbst and Mr. Keimel. A formal policy review awaits the arrival of new Chief Information Security Officer who starts on September 8<sup>th</sup>. She is relocating from Arizona. Chairman Kurtz asked what the role of the new position would be and Mr. Keimel answered that the scope of responsibilities would include the review of procedures and policies, network vulnerability, the SCADA network for water distribution and wastewater collection, the City's internet presence and logs. Mr. Keimel said that the new Security Officer's background includes a position with the City of Phoenix so that she has experience working for a large city.

#### **Introduction of New Board Member**

With the arrival at 5:24 p.m. of Ms. Kimberly Jackson, the newest Board member, the meeting achieved a quorum. Chairman Kurtz took the opportunity to recognize staff present at the meeting. Ms. Jackson introduced herself as a Florida native, who graduated from Nova High School. She went on to graduate from Florida State University and now works at Plantation High School as an Economics teacher.

Chairman Kurtz explained that this particular meeting involves reviewing the findings from external audit, the single audit (which is grant-related) and the Commission audit functions. The status of all findings and recommendations are tracked through an internal process allowing review of department actions.

#### **Review of Meeting Minutes from April 21, 2014**

Motion to approve the minutes of the April 21, 2014 meeting was made by Ms. Jackson, seconded by Ms. Diehl. By a voice vote, the motion passed unanimously.

#### **Continuation of the Discussion and Review of Open Findings Database**

Chairman Kurtz asked if the 2012-13 FAMIS user administrative procedures finding had been resolved. Ms. Garcia said that procedures have been put in place for all users in the Finance department that touch the financial system. A review process has been implemented. All requests for creating employee access in the system are sent via email or in writing to the financial system administrator.

A printout from FAMIS is produced validating the creation of that user and all changes that were made in the system. A second person verifies that the employee was given the correct access and who created the user in the system. Mr. Herbst asked if this is being updated annually and that his office had made a recommendation that a questionnaire go out to every department listing all employees, what access they have, and if they are still doing the same job.

Chairman Kurtz said similar to the IT termination procedure there should be periodic verification of who has what levels of access and notification of when an employee leaves. This is an extremely important security measure. Chairman Kurtz asked which of these, from a priority and risk point of view, are on the list as not being implemented. Mr. Herbst said that by next meeting his office will have looked over the list and will be able to respond.

### **Commission Audit Findings**

The meeting turned its attention to Commission Audit findings beginning with an operational audit of parking citations. A number of issues were identified and they remain open. Observations include the Parking Division still testing their new handhelds which have not become fully operational. Since they have not been fully implemented, there are no results to validate. In addition, external service organization reports were not being received, thus no effective monitoring was taking place.

Mr. Herbst led a brief discussion on the differences between findings and observations. Findings are more critical problems that should be resolved in a timely fashion. Observations are less demanding and provide an opportunity to improve best practices as a function of operation prudence.

Chairman Kurtz suggested that new technology is not always the solution. More often than not, it takes longer to implement than anticipated and often there is not promised functionality to deal with issues that were meant to be solved. A discussion about the ability of technology being limited by external factors ensued. The capacity to do work is often dependent on others. Either in development or implementation, there is a need to rely on others which often frustrates the ability to successfully answer observations or findings.

For instance, in Public Works, many of observations are associated with the declaration of emergencies in relation to contractor's work. How that is resolved must be associated with the meaning of the term which comes from others. Other observations dealt with contract valuations of external vendors, where lower rates were negotiated. This process answered the audit concern.

Chairman Kurtz suggested that a reporting system is waste of time if it does not really communicate what departments are doing in responding to audit findings and observations.

The meeting proceeded to review the various departments audit observations and findings. In many cases, not enough information is presented within the report to determine whether the department in question has successfully answered the need for modification of procedure or process.

In reference to the CRA, the process to track and collect loan payments has been reviewed. The observation is that the department is not very good at collecting money on the loans they have written. Mr. Herbst suggested that while the City does a very good job in collecting monies for water bills and business tax, loan repayments are not their strong suit. The process needs to be improved.

In the discussion of observations associated with Finance Department, the first concern centered on the integrity of the payroll system. The Cyborg system produces a large report for each payroll. It is approximately 70,000 pages.

The system produces a register that tracks changes, but because of its large size, it is impossible to evaluate. Chairman Kurtz suggested the development of a screen to filter information coming from the database. Unfortunately, according to staff, the information produced does not reside in a database, per se, making a screening difficult to perform.

Mr. Keimel suggested that anomalies make it difficult to evaluate information from competing systems. Chairman Kurtz stated that without timely access to the system, risk is magnified. Staff suggested that risk was being addressed as it is identified and that minimization of systemic risk is being achieved.

The new enterprise resource planning (ERP) system will allow a much better approach to data screening and analysis as part of the overall functionality. Interim stop-gap measures to allow current processes to do a better job in retrieving information must be developed as a way to control risk.

Chairman Kurtz reiterated the need to develop a script or program to be written to track changes as part of that stop-gap effort. It is essential for the city to control risk. There must be ways to review changes that are outliers to prevent those who have access from making unwarranted demands on the system. Chairman Kurtz asked, "what does the City do with the 70,000 page report?"

Mrs. Garcia explained that Finance does not actually print the Cyborg report. Instead, it is reviewed on computer monitors by those who have access to the system. Reviews occur of specific information within the report structure, but system-wide evaluation of information is not conducted.

Chairman Kurtz suggested that this sounds as if the City is reactive as opposed to proactive. There must be a way to isolate dollar fields to order to evaluate differences that appear to be out of normal ranges. Mr. Herbst suggested that such reviews can occur during the normal audit function and assured the Chairman that efforts are in place to minimize system-wide risk potential.

Next, the Procurement Division of the Finance Department was discussed. A number of findings were reviewed. The discussion centered on the need to change the code in order to respond to observations and findings. Often, this requires input and consent from the City Attorney's Office. While procedural changes can be made without such input, when such changes refer to code-related directives or guidance, it slows the entire process.

At this point, Chairman Kurtz asks if staff could provide information a few days ahead of time to allow Board members to review. This would be particularly helpful when there are attachments that need to be reviewed. The ability to ask substantive questions requires some time to digest the information.

Mr. Hawthorne responded that he would speak to staff about preparing information in a more timely fashion allowing the Board the appropriate time necessary for their review. He believed it was important to provide information in a manner that would allow for the Board's thorough inspection.

Chairman Kurtz asked how often do statutory requirements change and when does the City alter the procedural manual. Does the City adjust the manual to make reference to these requirements in a timely fashion? Mr. Herbst replied that code is much like land use in that it is constantly under revision.

Mr. Herbst suggested that a change in procedure can also be driven by modifications in the manner in which the City does business. For instance, unsolicited proposals have the potential to change how the City does business. The impact could be greater than the required revisions to the code. Often, a procedural change results from an outside dynamic. This can be outside the control of a particular department.

In response to the particular findings in the Procurement Division, the City Attorney's Office has been involved in the process. The department is waiting for guidance on how to deal with some specific issues. Given the timing of the findings, they may be resolved before the end of the fiscal year.

Other Finance observations are less significant. In the storm-water enterprise fund, a collection issue exists with the county. The Utility Billing Division is working on a policy that may solve the underlying issues.

Often the observations relate to financial integrity. Mr. Herbst explained that some involve very stale dollars. Many times, there are legal reasons the money can never be collected. The problem involves the lack of a write-off policy which could allow the City to determine the debts are uncollectable and be removed from our receivables.

A write-off policy requires input by the City Attorney's Office to offer advice and consent on possible language. Until a policy is formulated, the City will continue to have "ghost receivables" that will result in audit findings.

A number of findings and observations surround the Southside School project. From the beginning, Mr. Herbst suggested that the restoration project was badly conceived. The project started under a different City Manager and administration. The project was never given the appropriate level of oversight from a construction management or audit perspective. There was a complete lack of transparency.

A number of contractors have been involved and an insurance recovery involved with the project was posted to the improper account. The scope of work and the billing practices of the contractors were questionable. Mr. Herbst considered the project was almost beyond redemption.

The City Auditor's Office has not revisited the project since we finished the audit. However, the current administration is providing the appropriate level of guidance to keep the project on track even though the scope has changed several times. The City Manager has taken a very proactive approach in keeping the Commission abreast of the progress of the project. This is a complete reversal of the lack of reporting that had been practiced in the past.



The City Auditor's Office is looking to change the approach. There is a desire to do continuous audits. Mr. Herbst is looking at two specific initiatives. The first step is to hire an in-house construction auditor. The position would take the lead in auditing smaller construction projects in-house.

The second step would be to hire an outside professional construction auditing firm to conduct audits of the bigger projects in which the City is involved. The new in-house auditor would serve as the City's point of contact for interfacing with this firm.

The last point of discussion undertaken by the Board centered on the ERP system. Chairman Kurtz wanted an update of where the City was in the process. Mr. Keimel explained that the RFP would be released on August 5, 2014. Proposals are expected to be returned by October 21, 2014.

Chairman Kurtz asked if the City had a long-range timetable as to the securing of the software and its implementation. Mr. Keimel explained that the timetable would not be available until the consultant delivering the software is on-board.

Chairman Kurtz asked whether money had been set aside for the purchase of the software. Staff explained that the amount had not been budgeted and that the method used to acquire the software would determine the final price. A lease-purchase may be the most economical approach for the City.

Mr. Keimel suggested that he is aware of the market and the current estimate is between \$5 and \$10 million. It may be possible to negotiate a payment schedule that would be advantageous to the City.

The Board then discussed the next meeting which will be an audit planning meeting with the external auditors, Crowe Horwath. A schedule of the audit will be shared along with other audit housekeeping matters. Mr. Herbst discussed the change in rules associated with the federal government's single audit platform associated with grant funding. There has been compliance side modifications from year to year that will require grantee's to follow both sets of rules if a particular grant extends over to the next year. Changes relate to both payroll and direct cost rates. There are new internal controls that will be generated from the new single audit act.

With no other business to discuss, the meeting was adjourned at 7:00 p.m.

## **Fiscal Year 2014 Financial Audit Timeline**

- 7/31/14 - Provide an update on outstanding audit findings to AuAB
- 8/4/14 - 8/15/14 – Crowe to conduct interim audit procedures
- 12/19/14 - Last day to provide requests to Crowe
- 1/5/15 - 2/13/14 - Crowe to conduct year-end fieldwork
- 1/23/15 – Finance to provide draft basic financial schedules to Crowe
- 2/9/15 or prior - Finance to provide final CAFR to Crowe
- 3/5/15 - CAFR presentation to AuAB
- 3/17/15 - CAFR presentation to Commission



# **STATUS OF AUDIT FINDINGS**

(Single Audit, Financial Audit, and  
City Commission Audit)

As of June 30, 2014



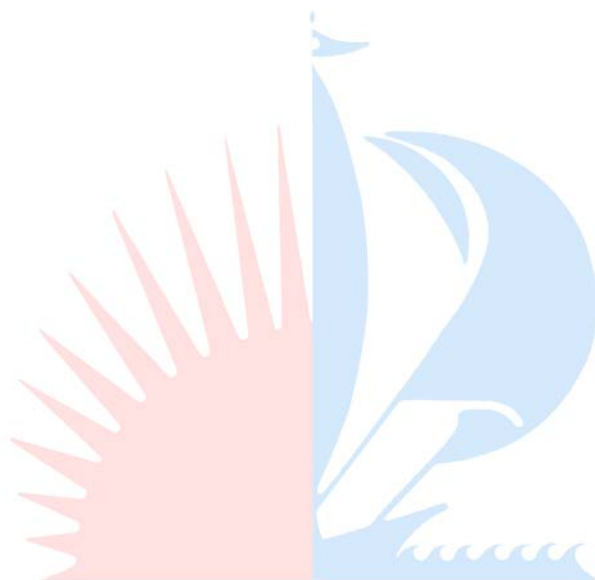
DEPARTMENT	TITLE	STATUS	PAGE
<b>FINANCIAL EXTERNAL FINDINGS</b>			
Finance	Financial External Audit #2012-4 Calculation of Compensated Absences (PY-3)	Not Implemented	1
Information Technology Services	Financial External Audit #2012-6 IT Controls	Not Implemented	4
<b>COMMISSION AUDIT FINDINGS</b>			
City Manager	Report #08/09-03 Audit of Performance Measures Finding 2	Partially Implemented	7
City Manager	Report #08/09-03 Audit of Performance Measures Auditors Comment 4	Partially Implemented	8
Sustainable Development	Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 2	Partially Implemented	11
Sustainable Development	Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 3	Partially Implemented	13
Sustainable Development	Report #07/08-10 Audit of Code Enforcement Division Finding #1.4	Partially Implemented	15
Finance	Report #07/08-4 Cyborg Payroll System Finding 1.1	Not Implemented	17
Finance	Report #08/09-01 Audit of the Procurement Services Department Finding 4	Not Implemented	18
Finance	Report #08/09-01 Audit of the Procurement Service Department Auditor Comment 10	Not Implemented	19
Finance	Report #08/09-01 Audit of the Procurement Service Department Auditor Comment 11	Not Implemented	21
Finance	Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.1	Not Implemented	23
Finance	Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.2	Not Implemented	24
Finance	Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.4	Not Implemented	25
Finance	Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.5	Not Implemented	26
Finance	Report #09/10-05 Follow-up review of the audit of the Procurement Services Department Aud Comm #10	Not Implemented	27
Finance	Report #09/10-05 Follow-up review of the audit of the Procurement Services Department Aud Comm #11	Not Implemented	29
Fire Rescue	Report #07/08-5 Audit of the Fire Bond Finding #ES-4	Not Implemented	32
Fire Rescue	Report #10/11-01 Finding 7 Controlled Substances	Not Implemented	34
Human Resources	Report #09/10-01 Audit of the Human Resources Department Finding 1	Not Implemented	36
Human Resources	Report #09/10-01 Audit of the Human Resources Department Auditor Comment 5	Not Implemented	38
Human Resources	Report #09/10-01 Audit of the Human Resources Department Auditor Comment 9	Not Implemented	39
Information Technology Services	Report #07/08-4 Cyborg Payroll System Finding 2.2	Partially Implemented	42
Parks & Recreation	Report #11/12-04 Compliance Review of the Bahia Mar Lease Agreement Observation #1	Not Implemented	45
Public Works	Report #09/10-03 Audit of the Fleet Division Finding 1	Partially Implemented	48
Public Works	Report #09/10-03 Audit of the Fleet Division Finding 2	Partially Implemented	50
Public Works	Report #09/10-03 Audit of the Fleet Division Finding 6	Partially Implemented	52

DEPARTMENT	TITLE	STATUS	PAGE
Public Works	Report #11/12-03 Operational Audit of the Southside School Restoration Project Finding #1	Not Implemented	54
Transportation and Mobility	Report #11/12-02 Operational Audit of Parking Citation Process Finding #1	Partially Implemented	56
Transportation and Mobility	Report #11/12-02 Operational Audit of Parking Citation Process Observation #2	Not Implemented	58
Transportation and Mobility	Report #11/12-02 Operational Audit of Parking Citation Process Observation #3	Management Non-Concurrence	59

# Financial External Findings



# Finance



# Financial External Audit #2012-4 Calculation of Compensated Absences (PY-3)

Issue No:	253			
Date of Finding:	03/12/2012			
Est. Completion Date:	09/30/2016			
Responsible Person 1	Igarcia	Name Laura Garcia	Title Senior Accountant	Department Finance
Responsible Person 2				
Correction Plan Status:	Not Implemented			
Next Milestone	09/30/2013			
Anticipated Date of Completion	09/30/2016			
Final Date of Completion				
Department:	Finance			
Audit Initiator	Financial External			
Audit Initiator Other				
Title:	Financial External Audit #2012-4 Calculation of Compensated Absences (PY-3)			
Issue / Observation	<p>Controls over the process of calculating the liability for compensated absences should be designed and operating effectively to ensure that the amounts recorded in the financial statements are an accurate representation of the amounts actually due to employees as of the end of the fiscal year.</p> <p>During our testing of the compensated absences liability, we identified errors in the underlying data used in the calculation. Additionally, errors were noted in prior year calculations. Specifically, errors were noted in the calculation of accrued leave using the approved leave accrual rates and recalculation of some balances was not possible because underlying supporting data was not available.</p> <p>Six of 33 items sample contained errors or were not adequately supported with underlying documentation.</p> <p>Controls are not fully developed and the detail subsidiary ledger does not contain adequate controls for complete and accurate calculations of accrued leave balances.</p>			
Recommendation:	<p>We recommend that the City review the current inputs into the compensated absences calculation process and implement monitoring controls to ensure that the data used in the calculation is accurate and complete. Further, the City should review the mechanics of the sick leave payable and determine if the process can be automated in order to alleviate the need for manual calculations.</p>			
Correction Plan:	<p>Has not been corrected. Due to the City's current collective bargaining agreements, we are unable to modify how leave is calculated.</p>			



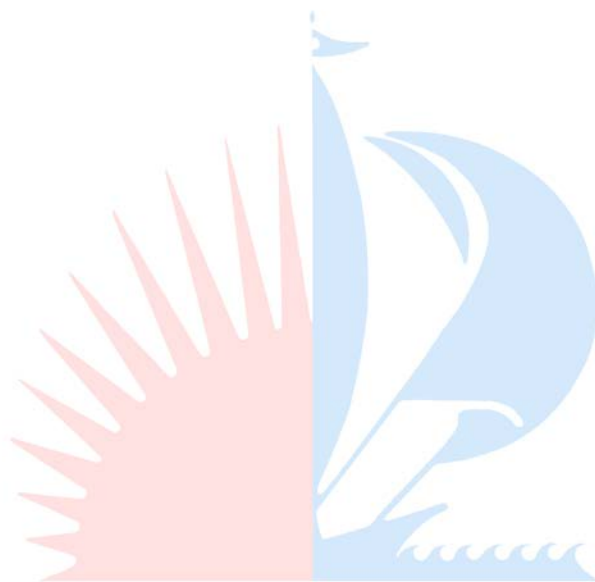
Current Status:

The City has reviewed the mechanics of the sick leave calculations and determined that there is no feasible way to automate the process. We have implemented a plan in FY 2012 to compare manual calculations to the calculations based on the payroll system. However, the data base in place is not sufficient to eliminate the manual procedures and the City is currently contemplating changes that would simplify the computation of sick leave payouts.

FOP has agreed to receive 28% of the unused accrued sick leave hours at the employee's final rate of pay.

HR is currently in negotiations with the other unions to modify the calculation for sick payouts.

# Information Services



# Financial External Audit #2012-6 IT Controls

Issue No: 269  
Date of Finding: 03/12/2012

Est. Completion Date: 06/30/2014

Responsible Person 1 kkeimel

Responsible Person 2

Correction Plan Status: Not Implemented

Next Milestone 09/30/2013

Anticipated Date of Completion 09/30/2014

Final Date of Completion

Department: Information Services

Audit Initiator Financial External

Audit Initiator Other

Title: Financial External Audit #2012-6 IT Controls

Issue / Observation Information systems controls should reasonably assure that electronic information is not compromised by unauthorized access to systems and that access is granted only as needed for individuals within the entity to perform their assigned responsibilities while maintaining adequate segregation of duties.

Condition: We noted the following with respect to the City's information systems:

T2 Flex

Management does not currently have a defined change management process in place to ensure that all pdates/patches are tested and approved.

Cyborg

During our review of Cyborg access we noted the following:

- Six active terminated employee accounts without elevated access rights, which increases the risk of inappropriate or unauthorized access on the system.
- One employee with two active accounts with elevated access rights that no longer requires the use of the additional user, which increases the risk of inappropriate or unauthorized access on the system.

Recommendation:

Correction Plan: Has not been corrected. The City is in the process of hiring a Chief Security Officer to address all IT control concerns.

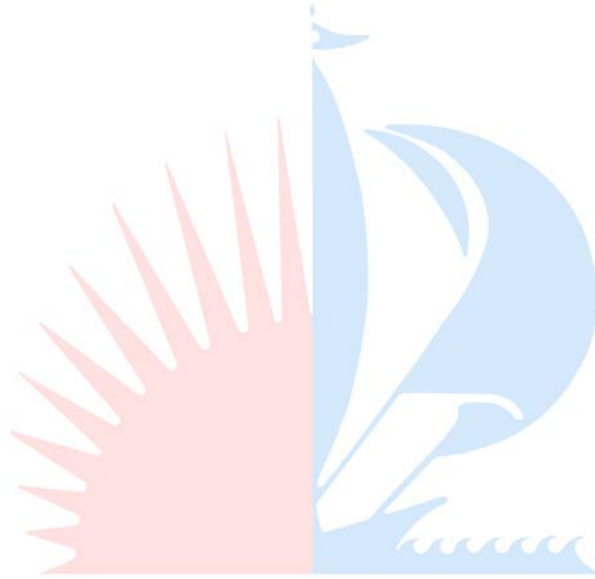
Current Status: Corrective action was taken immediately for the Cash Cloud finding and ITS is currently reviewing changes to the management process for T2 Flex. IT will work with other City Departments to implement procedures for proper documentation for terminated employees in Cyborg and is hiring a Chief Security Officer to address all security issues relative to IT Systems.

The City is in the process of hiring a Chief Security Officer to address all IT control concerns.

# Commission Audit Findings



# City Manager's Office



# Report #08/09-03 Audit of Performance Measures Finding 2

<u>Issue No:</u>	68									
<u>Date of Finding:</u>	06/29/2009									
<u>Est. Completion Date:</u>	12/31/2014									
<u>Responsible Person 1</u>	aknowles	<table><tr><th>Name</th><th>Title</th><th>Department</th></tr><tr><td>Amy Knowles</td><td>Structural Innovation Manager</td><td>City Manager</td></tr></table>	Name	Title	Department	Amy Knowles	Structural Innovation Manager	City Manager		
Name	Title	Department								
Amy Knowles	Structural Innovation Manager	City Manager								
<u>Responsible Person 2</u>	ssaunders	<table><tr><td>Sarah Saunders</td><td>Performance Analyst</td><td>City Manager</td></tr></table>	Sarah Saunders	Performance Analyst	City Manager					
Sarah Saunders	Performance Analyst	City Manager								
<u>Correction Plan Status:</u>	Partially Implemented									
<u>Next Milestone</u>	Research									
<u>Anticipated Date of Completion</u>	09/30/2014									
<u>Final Date of Completion</u>	12/31/2014									
<u>Department:</u>	City Manager									
<u>Audit Initiator</u>	Commission Audit									
<u>Audit Initiator Other</u>										
<u>Title:</u>	Report #08/09-03 Audit of Performance Measures Finding 2									
<u>Issue / Observation</u>	<p>Condition</p> <p>The CAO judgmentally selected 37 departmental performance indicators reported in November 2008 and compared those indicators to the actual source data. In doing so, the CAO allowed for a 2% tolerance factor to allow for reporting error, narrowing the focus to only material discrepancies. As detailed in Appendix 2, 10 of the 37 (27%) measures analyzed by the CAO could not be verified within the 2% error tolerance. One could not be reproduced from the data sources.</p> <p>Auditor Note: The CAO noted that the Information Technology department was unable to reproduce the performance measure reported in November 2008 concerning the number of network users, but could provide data on the number of current network users.</p>									
<u>Recommendation:</u>	<p>The CAO recommends that the City Manager require department directors to develop a system to promote more accurate collection of data so that the reporting of performance measures may serve as a reliable indicator of actual performance. In addition, the City Manager's internal audit function should be tasked with verifying the data.</p>									
<u>Correction Plan:</u>	<p>City Departments will be required to have a system in place that will facilitate an accurate collection of data for key performance measures and the subsequent reporting of the performance measures. Also, the internal audit division will include in their annual work plan, reviews of selected departments performance measures in order to verify the data.</p>									
<u>Current Status:</u>	<p>The City Manager's Office concurs that accuracy is important for reliability of data. In development of performance indicators for the strategic plan, each department was required to submit a methodology form, which includes information such as the owner, the data source, benchmark, a description of why the performance indicator matter, the definition and data source (methodology), frequency of reporting, the unit, accumulation form, the baseline and base year, the target, and target type. This form was reviewed by the City Manager's Office and the relevant data is populated by the department into the ClearPoint Strategy management software. As part of the development of performance measures for the FY 2015 Proposed Operating Budget, a similar form was developed and department staff was provided guidance and assistance to further address the importance of accurate and reliable data.</p> <p>At this time the CMO is not conducting sampled verification for the data. Since the City does not have a staff internal audit function, the CMO will continue to research and examine, and share methods of data reliability and verification at the department level.</p>									

# Report #08/09-03 Audit of Performance Measures

## Auditors Comment 4

<u>Issue No:</u>	72									
<u>Date of Finding:</u>	06/29/2009									
<u>Est. Completion Date:</u>	12/31/2014									
<u>Responsible Person 1</u>	aknowles	<table><tr><th>Name</th><th>Title</th><th>Department</th></tr><tr><td>Amy Knowles</td><td>Structural Innovation Manager</td><td>City Manager</td></tr></table>	Name	Title	Department	Amy Knowles	Structural Innovation Manager	City Manager		
Name	Title	Department								
Amy Knowles	Structural Innovation Manager	City Manager								
<u>Responsible Person 2</u>	ssaunders	<table><tr><td>Sarah Saunders</td><td>Performance Analyst</td><td>City Manager</td></tr></table>	Sarah Saunders	Performance Analyst	City Manager					
Sarah Saunders	Performance Analyst	City Manager								
<u>Correction Plan Status:</u>	Partially Implemented									
<u>Next Milestone</u>	Website									
<u>Anticipated Date of Completion</u>	07/31/2014									
<u>Final Date of Completion</u>	12/31/2014									
<u>Department:</u>	City Manager									
<u>Audit Initiator</u>	Commission Audit									
<u>Audit Initiator Other</u>										
<u>Title:</u>	Report #08/09-03 Audit of Performance Measures Auditors Comment 4									
<u>Issue / Observation</u>	<p>Condition</p> <p>The City of Fort Lauderdale does not have an effective system in place to ensure the timely collection and reporting of performance information. The current system reports performance information to senior management, elected officials or other community stakeholders only during the publication of the annual operating budget. The CAO noted that some departments informally capture and use other performance information to assist managing daily operations, however that process is fragmented and not used consistently by every department.</p>									
<u>Recommendation:</u>	<p>The CAO recommends that the City Manager direct the department directors to establish a robust performance management system comprised of a "vital few" key performance indicators. Such measures should be collected and updated on a continual basis. At a minimum, such performance information should be reported to management, Commissioners, and other stakeholders by implementing a quarterly "Performance Management Report" that is presented to the City Commission and posted on the City's web page for stakeholder review.</p> <p>Auditor Note: The CAO regards an optimal performance management system to be one which achieves the following: (1) gathers meaningful performance information that is linked to the City's Vision and Values, as well as departmental goals and objectives; (2) reports information that is of interest to the various stakeholders in the City (citizens, elected officials, managers, etc.); (3) reports information that is utilized by City and department managers.</p>									
<u>Correction Plan:</u>	The City will require departments to identify a vital few key performance indicators, which will be reported to the City Commission on a quarterly basis and posted on the City's web site for stakeholder review.									

Current Status:

The City Manager's Office concurs with the previous findings regarding collection and reporting. With the approval of Press Play Fort Lauderdale 2018 and Resolution 13-178 on September 17, 2013, Section 3 states that the City Manager shall report annually to the City Commission on progress with the strategic plan. The first progress report will be issued in the fall of 2014.

In addition, staff recognized the first year of the Vision Plan with a progress report to the City Commission in April 2014. This contained information regarding major projects and progress that has been made in each of the Vision Directions. Additionally, the report included the 24 Vision Scorecard key performance indicators. The most up-to-date data was provided at that time.

The Vision Scorecard will be included within the City's upgraded website, an initiative being led by the Information Technology Services Department, providing relevant, transparent and timely information to stakeholders. The progress with the new website is still underway. In the meantime the scorecard will be placed in a PDF format on the City website for viewing by the completion of this fiscal year. City staff continues report and to review performance results on a monthly, quarterly, or annually based on the measure type. The data is examined at Cylinder Team meetings, time permitting, and as part of the monthly FL<sup>2</sup>STAT meeting structure.



# Department of Sustainable Development



# Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 2

<u>Issue No:</u>	108			
<u>Date of Finding:</u>	10/24/2011			
<u>Est. Completion Date:</u>	06/30/2014			
<u>Responsible Person 1</u>	sragoonan	Name Sharon Ragoonan	Title Community Inspections Manager	Department Sustainable Development
<u>Responsible Person 2</u>				
<u>Correction Plan Status:</u>	Partially Implemented			
<u>Next Milestone</u>	4/15/2014			
<u>Anticipated Date of Completion</u>	06/30/2014			
<u>Final Date of Completion</u>	06/30/2014			
<u>Department:</u>	Sustainable Development			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				
<u>Title:</u>	Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 2			
<u>Issue / Observation</u>	<p>Condition</p> <p>The City of Fort Lauderdale is not reporting code liens in accordance with generally accepted accounting principles (GAAP), specifically GASB 33.</p> <p>Auditor Note: The CAO has communicated the potential financial reporting issue to the external auditor for their consideration.</p> <p>Criteria</p> <p>GASB Statement No. 33 establishes accounting and financial reporting standards for imposed nonexchange revenue transactions – governments are required to recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.</p> <p>In addition, under the COSO framework Control Activities component 3.2, "Responses that prevent or detect the risk of intentional or unintentional errors" process flow controls; manual and automated controls over how transactions are initiated, authorized, recorded, processed and reported; and the Information and Communication component 4.1.</p>			
<u>Recommendation:</u>	<p>The CAO recommends that the City Manager require the following:</p> <ol style="list-style-type: none"> <li>1. The Director of the Building Department work in conjunction with the Finance Director to determine the total outstanding code lien receivables owed to the City.</li> <li>2. The Director of the Building Department develop a policy to communicate to the Finance Department when liens are established, the amounts that are accruing, and payments received.</li> <li>3. The Director of the Building Department develop a policy for the City Commission's consideration to set the minimum acceptable level for code lien settlements to allow the Finance Department to determine the net collectible receivable to be recorded in the financial statements, in accordance with GASB 33.</li> </ol>			

Correction Plan:

- 1) Management concurs. The Director will work with the Finance Department and IT to enhance the current Community Plus software to provide the ability to determine the total outstanding code liens and fines owed to the City at any given time. If the current software is not capable of such enhancement, a replacement product will be sought.
- 2) Management concurs. The Director will develop a policy to communicate to the Finance Department when liens are established, the amounts that are accruing, and payments received. The current software enhancement should include the ability to communicate and share this information with Finance. If that is not possible, an alternate software product should be sought as stated above.
- 3) Management concurs. The Director will develop a policy and will make recommendations to the City Commission for setting minimum acceptable levels for Code lien settlements to allow the Finance Department to determine the net collectible receivable.

Current Status:

UPDATED 12/01/13:

Upon receiving these findings, the department partnered with the IT Department to purchase and develop a software system that will address these findings. The city has since purchased the One Solution Software program that is currently under development with the IT Department. The Code Division has communicated these findings to ensure the One Solution Software captures the requested data and is made available for other city departments. Upon implementation of One Solution, these findings will be mitigated.

The implementation of One Solution is scheduled for April 15, 2014. Go - Live 06/30/2014

UPDATE-July 2, 2014

Advised CAO via email.

-Code contacted the department directors of Finance and IT via email message (6/30/14)) to schedule meeting to develop the policies, processes and reports associated with determining the total outstanding code fines/liens owed to the City and establishing a minimum acceptable rate of receivables for financial reporting.

-Existing documents developed by Code will be used as a starting point to designing the reports and determining the minimum level of receivables to be collected

-Attached to email liens and fines as of 4-29-2014; 2013-2014 LOT CLEARING AND BOARD UP CASES LIEN STATUS; CE Prosecution Cost Worksheet. Unable to attach to documents to ACTS.

# Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 3

<u>Issue No:</u>	109			
<u>Date of Finding:</u>	10/24/2011			
<u>Est. Completion Date:</u>	06/30/2014			
<u>Responsible Person 1</u>	sragoonan	Name	Title	Department
<u>Responsible Person 2</u>		Sharon Ragoonan	Community Inspections Manager	Sustainable Development
<u>Correction Plan Status:</u>	Partially Implemented			
<u>Next Milestone</u>	4/15/2014			
<u>Anticipated Date of Completion</u>	06/30/2014			
<u>Final Date of Completion</u>	06/30/2014			
<u>Department:</u>	Sustainable Development			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				
<u>Title:</u>	Report #10/11-06 Audit of the Code Enforcement Lien Process Finding 3			
<u>Issue / Observation</u>	<p>Condition</p> <p>The current management information system, "Community Plus", does not appear to meet Code Enforcement's needs. For example, a complete listing of all outstanding code liens and their associated values cannot be produced.</p> <p>See also CAO Report #07/08-10, "Audit of the Code Enforcement Division", Condition/Cause, "Community Plus has the ability to generate custom reports however, CED staff rarely use this functionality due to the lack of practical guidance materials. CED management personnel were given training on how to use Community Plus to generate custom reports but were not provided with a desk reference manual with step-by-step screenshots."</p> <p>Auditor Note: The Information Technology Department provided the CAO with a "Code Enforcement Fine Report" listing all outstanding liens and associated value on 10/3/2011. The report indicated 2,802 outstanding liens, with a fine and lien value of \$153,430,449.</p>			
<u>Recommendation:</u>	<p>The CAO recommends that the City Manager require the Director of the Building Department to work in cooperation with Finance, Information Technology, and the software service provider to evaluate Code Enforcement's management information needs and implement a system capable of meeting those requirements.</p> <p>Auditor Note: See also CAO Report #07/08-10 p.9, "Audit of the Code Enforcement Division", Management Response, "Generally reports directly available through Community Plus are not sufficient to meet division needs as they lack essential data."</p>			
<u>Correction Plan:</u>	<p>Management concurs. The Director will work in cooperation with Finance, Information Technology, and the software service provider to evaluate Code Enforcement's management information needs and implement a system capable of meeting those requirements, including reports with essential data sufficient to meet division needs.</p>			

Current Status:

UPDATED 12/01/2013:

Upon receiving these findings, the department partnered with the IT Department to purchase and develop a software system that will address these findings. The city has since purchased the One Solution Software program that is currently under development with the IT Department. The Code Division has communicated these findings to ensure the One Solution Software captures the requested data and is made available for other city departments. Upon implementation of One Solution, these findings will be mitigated.

The implementation of One Solution is scheduled for April 15, 2014. -Go-Live June 30, 2014

UPDATED 2-3-2014:

EMail from CAO -

Dear Valerie,

This email is to confirm our discussion on Friday, January 31, 2014 that CAO has closed the Finding #3 (Audit of the Code Enforcement Lien Process - Report #10/11-6) dated October 24, 2011 and Finding #1.4 (Follow-Up Review of the Code Enforcement Division - Report #10/11-04) dated September 12, 2011.

We have reviewed the "Current Status" updated on Audit Compliance Tracking System. In addition, we have confirmed with Linda Cadoret, Data Warehouse Analyst with City's ITS that Department of Sustainable Development (DSD) implemented the followings:

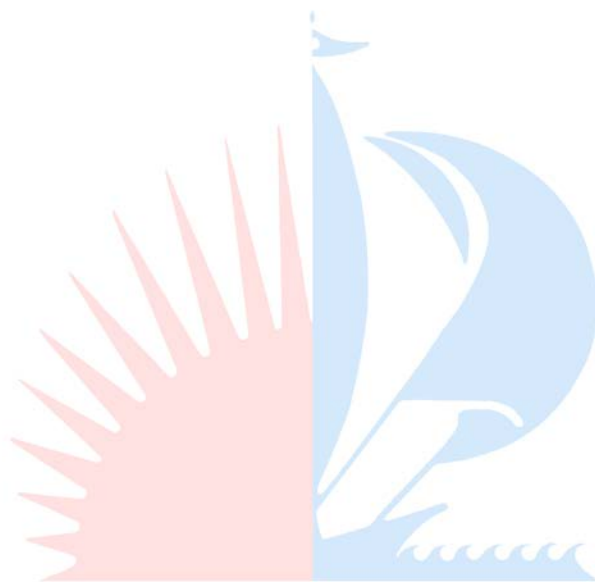
- DSD coordinated with City's Information Technology Services (ITS) and have purchased "One Solution Software" program.
- The "One Solution Software" program is currently under development with the ITS.
- The "One Solution Software" program

# Report #07/08-10 Audit of Code Enforcement Division

## Finding #1.4

<u>Issue No:</u>	221							
<u>Date of Finding:</u>	09/24/2008							
<u>Est. Completion Date:</u>	06/30/2014							
<u>Responsible Person 1</u>	vflorestal	<table><thead><tr><th>Name</th><th>Title</th><th>Department</th></tr></thead><tbody><tr><td>Valerie Florestal</td><td>Financial Administrator</td><td>Sustainable Development</td></tr></tbody></table>	Name	Title	Department	Valerie Florestal	Financial Administrator	Sustainable Development
Name	Title	Department						
Valerie Florestal	Financial Administrator	Sustainable Development						
<u>Responsible Person 2</u>								
<u>Correction Plan Status:</u>	Partially Implemented							
<u>Next Milestone</u>	04/01/2014							
<u>Anticipated Date of Completion</u>	06/30/2014							
<u>Final Date of Completion</u>	06/30/2014							
<u>Department:</u>	Sustainable Development							
<u>Audit Initiator</u>	Commission Audit							
<u>Audit Initiator Other</u>								
<u>Title:</u>	Report #07/08-10 Audit of Code Enforcement Division Finding #1.4							
<u>Issue / Observation</u>	<p>Condition/Cause Community Plus has the ability to generate custom reports however, CED staff rarely use this functionality due to the lack of practical guidance materials. CED management personnel were given training on how to use Community Plus to generate custom reports but were not provided with a desk reference manual with step-by-step screenshots.</p> <p>Criteria CED staff should be able to easily generate reports to help them manage CED.</p> <p>Impact Reports are important tools for monitoring the efficiency and effectiveness of CED. Without specific reports, management can't identify potential problems in a proactive manner.</p>							
<u>Recommendation:</u>	The City Manager should require the Director of the Building Department to provide training to key staff members in CED about how to generate reports from Community Plus. Along with the training, staff should be provided with a user manual with screenshots to maximize the effectiveness of the training.							
<u>Correction Plan:</u>	<p>CED management currently utilizes numerous excel and crystal reports which extract data from Community Plus. Over the past year reports were developed in conjunction with IT to pull data from Community Plus on a regular basis to monitor performance goals, objectives and accountability for the division. Each report measures a specific performance or a process.</p> <p>Generally reports directly available through Community Plus are not sufficient to meet division needs as they lack essential data. The exception to this is the Code Tracker, which supervisors will be trained on to pull data for their respective geographical areas.</p>							
<u>Current Status:</u>	<p>UPDATED 12/01/2013:</p> <p>Code Tracker is no longer supported by I.T. The new software program One Solution will be implemented in April 2014. Money has been budgeted for training of the new system.</p> <p>Implementation date – June 30 2014 (one month after the software goes Live)</p>							

# Finance



# Report #07/08-4 Cyborg Payroll System Finding 1.1

Issue No: 51  
Date of Finding: 04/16/2008

Est. Completion Date: 09/30/2014

Responsible Person 1 apantin

Responsible Person 2 lgarcia

Correction Plan Status: Partially Implemented

Next Milestone 03/30/2014

Anticipated Date of Completion 09/30/2014

Final Date of Completion

Department: Finance

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #07/08-4 Cyborg Payroll System Finding 1.1

Issue / Observation The "Is/Was" report is generated by the Cyborg payroll system as part of the bi-weekly payroll processing. The report establishes an audit trail for all the changes made to the payroll master files. The report is voluminous (6950 pages) and contains a lot of transaction detail for a single change. The Finance and Information Technology Departments haven't refined the Is/Was report to identify elements of significance from a risk perspective, nor is the report being reviewed by management for evidence of fraud.

Monitoring and communication are significant elements of the COS01 internal control framework. Available control tools that are not being utilized increase the risk of unauthorized changes not being readily detected. Cyborg users with super-user access privileges could initiate changes to rates of pay, add fictitious employees or make other unauthorized changes to the payroll without detection.

Recommendation: The City Manager should require the IT Department to develop a customized scaled down version of the Is/Was report with emphasis on higher risk changes to the payroll master file. This report should be provided to the Finance Department after each bi-weekly payroll and Finance staff other than the payroll office should periodically test a sample of additions to the payroll and employees who have received a rate change to verify that these changes are properly authorized, documented and approved.

Correction Plan: Concur: The "Is/Was" report could be more useful. We will work with IT to create a biweekly report which provides significant payroll and HR changes not currently available in the "85" report (this includes all benefit changes). Examples include adjustments/changes to pension, 401A, 457, W-4's, one-time adjustments, etc. This report could be used by Payroll, and Human Resources to review specific changes during any given pay period.

Current Status: The "85" report is reviewed by Risk, HR and Payroll. Finance will be working with IT on the possibility of modifying the "is/Was" report.

Upon further research, we concluded that the report is not user friendly due to the size and the amount of records which makes it extremely difficult to use. Payroll will be looking at alternative reports to accomplish this reconciliation.



# Report #08/09-01 Audit of the Procurement Services DepartmentFinding 4

Issue No:	59			
Date of Finding:	06/29/2009			
Est. Completion Date:	09/30/2014			
Responsible Person 1	Igarcia	Name Laura Garcia	Title Senior Accountant	Department Finance
Responsible Person 2	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
Correction Plan Status:	Partially Implemented			
Next Milestone	9/30/2014			
Anticipated Date of Completion	09/30/2014			
Final Date of Completion				
Department:	Finance			
Audit Initiator	Commission Audit			
Audit Initiator Other				

Title: Report #08/09-01 Audit of the Procurement Services DepartmentFinding 4

Issue / Observation The CAO determined that CFL's Municipal Code Chapter 2, Article V, Division 2 regarding purchasing does not incorporate all of the relevant sections of the Florida Statutes. The Florida Statutes in the table below are identified as being applicable to the CFL's purchasing function, but are not referenced in the code.

Recommendation: The City Manager should require the Director of PSD to revise the Procurement Manual and consider proposing a revision to the CFL Code of Ordinances to include by reference all applicable sections of the Florida Statutes that relate to the procurement function.

Correction Plan: Management concurs, however it should be noted that the two instances referenced above, are both applicable to construction bidding, and historically these solicitations have been bid by the Public Works and Engineering Department. However, the Department Manual will reflect references and cross-checks to the applicable Florida State Statutes. TIME: thirty (30) days.

As the PSD prepares changes to the Code, as referenced in other parts of this report, the department will work with the City Attorney's Office, to reflect these references where appropriate.

Current Status: Status - Partially implemented  
1. The department manual was updated on 3/5/2010 to reflect references and cross-checks to the applicable Florida State Statutes, the bid opening time is now thirty (30) days.  
2. Changes to the Code - not implemented

Status 6/26/14  
changes to manual complete 3/5/10. Changes to code not implemented.

# Report #08/09-01 Audit of the Procurement Service

## Department Auditor Comment 10

<u>Issue No:</u>	64			
<u>Date of Finding:</u>	06/29/2009			
<u>Est. Completion Date:</u>	09/30/2014			
<u>Responsible Person 1</u>	lgarcia	Name Laura Garcia	Title Senior Accountant	Department Finance
<u>Responsible Person 2</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Correction Plan Status:</u>	Partially Implemented			
<u>Next Milestone</u>	09/30/2014			
<u>Anticipated Date of Completion</u>	09/30/2014			
<u>Final Date of Completion</u>				
<u>Department:</u>	Finance			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				

Title: Report #08/09-01 Audit of the Procurement Service Department Auditor Comment 10

Issue / Observation Condition  
The CAO created a procurement questionnaire and solicited responses from comparable cities to determine what the "usual" procurement practices are relating to purchasing dollar thresholds, the bid solicitation process and staffing norms. The City purchasing thresholds are generally lower than other peer group cities as noted below and CFL purchasing policies differ in the following areas:  
4 of 4 (100%) cities have formal bid thresholds of \$15,000 - \$50,000 compared to CFL's \$10,000 threshold  
3 of 4 (75%) cities allow external parties to be a part of the evaluation committee with no strict guidelines that limit the number allowed.  
2 of 4 (50%) cities have a policy prohibiting bidders and their lobbyists from having contact with members of the evaluation/selection committee prior to the official announcement of the award.

Recommendation: The City Manager should require the Director of PSD to consider proposing a revision to the CFL Code of Ordinances that would:  
1. Increase the dollar threshold for when sealed bids are required and adjust all the other thresholds accordingly.  
2. Include a provision to periodically adjust the thresholds for inflationary factors.  
3. Include a policy that the Director of PSD appoint a selection committee containing at least three members, whose duties include evaluation of proposers' responses, ranking of proposers, and recommending the top ranked proposer for award of a contract.  
4. Include a policy prohibiting bidders and their lobbyists from having contact with PSD or members of the evaluation/selection committee prior to an award announcement.  
5. Revise the purchasing code to require that price/cost be weighted at least 33% of the evaluation criteria for all competitive solicitations.

Correction Plan: Management concurs: See Management Response to finding 4 above. Our own survey conducted by PSD two years ago, showed that the City's thresholds were lower than many other agencies of comparable size and complexity. PSD currently works with the using departments in the formulation of the selection committees, but concurs with the Auditor recommendation that PSD should be the appointing party. The PSD currently has a document which is distributed to all members of the evaluation and selection committee, which advises against contact with vendor representatives during the evaluation process. PSD will incorporate this into the department's policy and procedures manual.

Current Status:

Status - Partially implemented

1. Increase the dollar threshold for when sealed bids are required and adjust all the other thresholds accordingly - Done Ordinance change 03/20/2012. Status - 6/26/2014 Complete

2. Include a provision to periodically adjust the thresholds for inflationary factors - Not Complete  
Status 6/26/2014 - Not complete

3. Include a policy that the Director of PSD appoint a selection committee containing at least three members, whose duties include evaluation of proposers' responses, ranking of proposers, and recommending the top ranked proposer for award of a contract - Currently doing this, however not an official policy.  
Status 6/26/2014 - Complete - Procurement manual states " Procurement division shall ultimately appoint the selection committee.

4. Include a policy prohibiting bidders and their lobbyists from having contact with PSD or members of the evaluation/selection committee prior to an award announcement - Done via having member sign a conflict of interest form. Status 6/26/2014 - Complete

5. Revise the purchasing code to require that price/cost be weighted at least 33% of the evaluation criteria for all competitive solicitations - Not Done. Status 6/26/2014 - Not Complete

# Report #08/09-01 Audit of the Procurement Service

## Department Auditor Comment 11

<u>Issue No:</u>	65			
<u>Date of Finding:</u>	06/29/2009			
<u>Est. Completion Date:</u>	09/30/2014			
<u>Responsible Person 1</u>	lgarcia	<u>Name</u> Laura Garcia	<u>Title</u> Senior Accountant	<u>Department</u> Finance
<u>Responsible Person 2</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Correction Plan Status:</u>	Partially Implemented			
<u>Next Milestone</u>	09/30/2014			
<u>Anticipated Date of Completion</u>	09/30/2014			
<u>Final Date of Completion</u>				
<u>Department:</u>	Finance			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				
<u>Title:</u>	Report #08/09-01 Audit of the Procurement Service Department Auditor Comment 11			
<u>Issue / Observation</u>	<p>Condition</p> <p>The CAO determined that the PSD sets the majority of contracts for no more than a total of five (5) years, including the initial term and extensions. However, the contract could exceed 5 years in special situations such as where the vendor must invest a significant amount in capital or equipment to be able to provide services or when the availability of the good or service in the market place is scarce.</p> <p>The CAO also determined that the City is a party to some contracts whose initial term is greater than 1 year.</p>			
<u>Recommendation:</u>	<p>The City Manager should require the Director of PSD to consider proposing a revision to the Code of Ordinances that would:</p> <ol style="list-style-type: none"> <li>1. Require the length of a contract not exceed four (4) years including the initial term and extensions.</li> <li>2. Allow a contract term not to exceed five (5) years for those contracts in which the vendor has to make an upfront investment of at least \$50,000.</li> <li>3. Incorporate into the Code of Ordinances language from Article 5.11 from the General Terms and Conditions document as follows:</li> </ol> <p>"The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise authorized by law."</p>			
<u>Correction Plan:</u>	<p>Management concurs: PSD will begin the change to the length of contracts, with that release for bidding on or after July 1, 2009. Management believes that at times there may be an occasional exception to the policy of four years, and would request Commission approval of these exceptions prior to release of a formal solicitation.</p>			

Current Status:

Status - Partially implemented

1. Require the length of a contract not exceed four (4) years including the initial term and extensions - Not currently in Ordinance But done in practice and placed in bid documents.

2. Allow a contract term not to exceed five (5) years for those contracts in which the vendor has to make an upfront investment of at least \$50,000 - Not currently in Ordinance But done in practice and placed in bid documents.

3. Incorporate into the Code of Ordinances language from Article 5.11 from the General Terms and Conditions document as follows:

"The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise authorized by law." - Not currently in Ordinance But done in practice and placed in bid documents.

Status 06/26/2014 - all partially implemented - done in practice but has not been added to ordinance

# Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.1

Issue No: 183  
Date of Finding: 12/06/2011

Est. Completion Date: 06/30/2014

		Name	Title	Department
<u>Responsible Person 1</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Responsible Person 2</u>	lgarcia	Laura Garcia	Senior Accountant	Finance

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion 09/30/2014

Final Date of Completion

Department: Finance

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.1

Issue / Observation The Treasury division has not performed an audit to verify the accuracy and completeness of stormwater collections remitted monthly on behalf of the City by Broward County for the annexed areas.

Recommendation: The City Manager should request that Broward County provide a reconfigured Payment by Customer Report complete with all pertinent details and perform a comprehensive audit to verify the accuracy and completeness of the monthly stormwater remittance from Broward County.

Correction Plan: Management concurs with this recommendation. The City's revenue collection staff first requested such a report from the Broward County billing supervisor in early 2007, and has repeated the request several times. To date the County has not complied with staff's request. To further emphasize the City's commitment to reconcile this issue, Treasury will escalate this request by drafting a letter for the City Manager's signature that will request Broward County's cooperation to create the required reports.

Follow-Up Action – In August 2011, the Treasury Division requested a reconfigured Payment by Customer Report from Broward County to:

1. Include square footage billed.
2. Specify if the report is inclusive of all targeted properties in the Melrose Park and Rock Island annexed areas.

Further, a Broward County representative informed the CAO that reconfiguring the Payment by Customer Report would require an assessment of programing costs and special account charges.

In response to the CAO follow-up audit the Treasury Division reviewed the stormwater collections performed by Broward County on behalf of the City for the month of July 2011 and noted the following:

1. Broward County did not adjust stormwater rates for FY 2010 to account for a 5% rate increase. The impact of incorrect billing for the year amounts to approximately \$3,850 per Broward County and Treasury Division calculations.
2. The original data file containing the name and address of the owner.

Current Status: The Write-Off policy is in the draft form and it will be included in the Financial Integrity Policies.

# Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.2

Issue No: 184  
Date of Finding: 12/06/2011

Est. Completion Date: 06/30/2014

		Name	Title	Department
<u>Responsible Person 1</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Responsible Person 2</u>	lgarcia	Laura Garcia	Senior Accountant	Finance

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion 09/30/2014

Final Date of Completion

Department: Finance

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.2

Issue / Observation There is no formal process in place to ensure that changes in land use are consistently communicated to the appropriate personnel in Utility Billing. To assure the accuracy of the UB database, a formal process is necessary through which the Building Department communicates changes in parcel use to the Utility Billing staff.

Recommendation: The City Manager should direct the affected departments to formalize a set of written procedures to address this communication deficiency. Interdepartmental coordination is essential to assure that changes in parcel use are timely communicated to Utility Billing staff.

Correction Plan: Management concurs with this recommendation. The City Manager will draft a memo to the Building, Finance, Information Technology, and Public Works departments directing them to cooperate in developing a formal set of written procedures to communicate changes in parcel use. The Finance Department will take the leadership role in managing this process. This process is expected to begin no later than January 1, 2008, and to be completed no later than June 30, 2008.

Follow-Up Action – Procedures regarding updates/changes to stormwater accounts sent to utility billing personnel were provided in e-mail format. Utility billing procedures for processing those updates/changes received from Public Works were also in e-mail format.

Auditor Note - The City implemented a new utility billing system (Cayenta Utility Billing) in June 2010, which has the capability of GIS and ownership information being provided electronically.

The CAO was informed that:

1. Data cleanup is a vast project that has not been completed; however, two employees have been hired to assist in the process so that the GIS portion of the system can be implemented.
2. December 2011 is the expected target date for GIS implementation.

Follow-Up Auditor Recommendation – The CAO reiterates the above recommendation regarding development of formal written procedures by the departments affected to ensure that changes in land use are consistently communicated to appropriate personnel in Utility Billing.

Current Status: The Write-Off policy is in the draft form and it will be included in the Financial Integrity Policies.

# Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.4

<u>Issue No:</u>	186			
<u>Date of Finding:</u>	12/06/2011			
<u>Est. Completion Date:</u>	06/30/2014			
<u>Responsible Person 1</u>	apantin	Name	Title	Department
		Anthony Pantin	Senior Accounting Clerk	Finance
<u>Responsible Person 2</u>	lgarcia	Name	Title	Department
		Laura Garcia	Senior Accountant	Finance
<u>Correction Plan Status:</u>	Not Implemented			
<u>Next Milestone</u>				
<u>Anticipated Date of Completion</u>	09/30/2014			
<u>Final Date of Completion</u>				
<u>Department:</u>	Finance			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				
<u>Title:</u>	Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.4			
<u>Issue / Observation</u>	<p>The Treasury Division does not have a written policy nor have they developed effective procedures to periodically verify the accuracy of the stormwater bills and the integrity of billing data in the UBS. Monitoring is an essential element of an effective system of internal controls. Periodic verification and testing will assure the integrity of the database.</p>			
<u>Recommendation:</u>	<p>The City Manager should direct staff to develop a written policy to periodically verify the accuracy of the UB database based on a comparison of UBS billing square footage relative to GIS square footage. As a result, UBS commercial billings will have a higher degree of accuracy and revenues will be appropriately collected.</p>			
<u>Correction Plan:</u>	<p>Management concurs with this recommendation. Staff from Public Works, Information Technology and Finance Departments have begun the process of creating formal procedures and an automated system to validate the UBS billing square footage. The aforementioned memo from the City Manager will direct the Public Works, Information Technology and Finance to further cooperate to complete this process. The Finance Department will take the leadership role in managing this process. This process is expected to be completed no later than March 31, 2008.</p> <p>Follow-Up Action – The Treasury Division provided the CAO with an e-mail, pertaining to the annexed areas, outlining monthly and yearly steps for verifying the accuracy of stormwater bills and the integrity of billing data in the UBS.</p> <p>The Public Works Department provided the CAO with standard operating procedures for performing quarterly audits to identify and correct accounts lacking square footage. These quarterly audits are performed to create a higher degree of accuracy in revenue collection. Additionally, the CAO was informed that a GIS overlay in the UBS (once implemented) will auto-populate square footage and provide property type data on record with the Broward County Property Appraiser's office.</p> <p>Follow-Up Auditor Recommendation - The CAO reiterates the above audit finding regarding the development of a formal written policy and procedures for verifying the accuracy of stormwater bills.</p>			
<u>Current Status:</u>	The Write-Off policy is in the draft form and it will be included in the Financial Integrity Policies.			



# Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.5

Issue No: 187  
Date of Finding: 12/06/2011

Est. Completion Date: 06/30/2014

		Name	Title	Department
<u>Responsible Person 1</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Responsible Person 2</u>	lgarcia	Laura Garcia	Senior Accountant	Finance

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion 09/30/2014

Final Date of Completion

Department: Finance

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #11/12-01 Follow-up Review of the Stormwater Enterprise Fund Finding #2.5

Issue / Observation Stormwater revenues and expenses are not being accurately reported and the City Commission needs to be included in their proper role in determining which accounts should be written off.

Recommendation: The City Manager should direct staff to develop a process for writing off uncollectible stormwater accounts. An analysis of the costs of processing a lien should be conducted to establish a dollar threshold under which receivables would be automatically written off. The cost should not outweigh the benefits. This will require a change to section 28.1 (a) and (d) of the ordinance code. All other accounts are required to have a lien recorded and this should be reflected in the process.

Correction Plan: Management concurs with this recommendation. The aforementioned memo from the City Manager will direct staff to develop a formal process for writing off uncollectible stormwater accounts consistent with Florida Statutes. The Finance Department will work with the City Attorney's Office to determine any necessary changes to the Municipal Code of Ordinances. This process is expected to begin no later than January 1, 2008 and be completed no later than June 30, 2008.

Follow-Up Action – The Treasury Department provided the CAO with a subsidiary ledger dated 7/1/11 of stormwater revenue derived from billing and penalties reconciled to the accounts receivable general ledger account.

Current Status: The Write-Off policy is in the draft form and it will be included in the Financial Integrity Policies.

# Report #09/10-05 Follow-up review of the audit of the Procurement Services Department Aud Comm #10

<u>Issue No:</u>	199			
<u>Date of Finding:</u>	08/25/2010			
<u>Est. Completion Date:</u>	09/30/2014			
<u>Responsible Person 1</u>	lgarcia	Name Laura Garcia	Title Senior Accountant	Department Finance
<u>Responsible Person 2</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Correction Plan Status:</u>	Partially Implemented			
<u>Next Milestone</u>	09/30/2014			
<u>Anticipated Date of Completion</u>	09/30/2014			
<u>Final Date of Completion</u>				
<u>Department:</u>	Finance			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				

Title: Report #09/10-05 Follow-up review of the audit of the Procurement Services Department Aud Comm #10

Issue / Observation

The CAO created a procurement questionnaire and solicited responses from comparable cities to determine what the "usual" procurement practices are relating to purchasing dollar thresholds, the bid solicitation process and staffing norms. The City purchasing thresholds are generally lower than other peer group cities as noted below and CFL purchasing policies differ in the following areas:

- 4 of 4 (100%) cities have formal bid thresholds of \$15,000 - \$50,000 compared to CFL's \$10,000 threshold
- 3 of 4 (75%) cities allow external parties to be a part of the evaluation committee with no strict guidelines that limit the number allowed.
- 2 of 4 (50%) cities have a policy prohibiting bidders and their lobbyists from having contact with members of the evaluation/selection committee prior to the official announcement of the award.

Recommendation:

The City Manager should require the Director of PSD to consider proposing a revision to the CFL Cod of Ordinances that would:

1. Increase the dollar threshold for when sealed bids are required and adjust all the other thresholds accordingly.
2. Include a provision to periodically adjust the thresholds for inflationary factors.
3. Include a policy that the Director of PSD appoint a selection committee containing at least three members, whose duties include evaluation of proposer's responses, ranking of proposers, and recommending the top ranked propoer for award of a contract.
4. Include a policy prohibiting bidders and their lobbyists from having contact with PSD or members of the evaluation/selection committee prior to an award announcement.
5. Revise the purchasing code to require that prices/cost be wieghted at least 33% of the evaluation criteria for all competitive solicitations.

Correction Plan:

Management concurs: See Management Response to finding 4 above. Our own survey conducted by PSD two years ago, showed that the City's thresholds were lower that many other agencies of comparable size and complexity. PSD currently works with the using departments in the formulation of the selection committees, but concurs with the Auditor recommendation that PSD should be the appointing party. The PSD currently has a document which is distributed to all members of the evaluation and selection committee, which advises against contact with vendor representatives during the evaluation process. PSD will incorporate this into the department's policy and procedures manual.

Follow-up Action - Revisions are currently being reviewed/evaluated by PSD and the CMO.

Current Status:

Status – Partially Implemented

1. Increase the dollar threshold for when sealed bids are required and adjust all the other thresholds accordingly. - Done Ordinance change 03/20/2012.

Status 6/26/2014 - incorporated in ordinance change 3/20/2012 - complete

2. Include a provision to periodically adjust the thresholds for inflationary factors. - Not complete

Status 6/26/14 - Not complete

3. Include a policy that the Director of PSD appoint a selection committee containing at least three members, whose duties include evaluation of proposer's responses, ranking of proposers, and recommending the top ranked propoer for award of a contract. - Currently doing this. However, not official policy.

Status 06/26/2014 - Complete - Procurement manual states " Procurement Division shall ultimately appoint the selection committee

4. Include a policy prohibiting bidders and their lobbyists from having contact with PSD or members of the evaluation/selection committee prior to an award announcement. - done via having member sign a conflict of interest form.

Status 6/26/2014 - Complete

5. Revise the purchasing code to require that prices/cost be wieghted at least 33% of the evaluation criteria for all competitive solicitations - Not done

Status 6/26/2014 - Not Complete

# Report #09/10-05 Follow-up review of the audit of the Procurement Services Department Aud Comm #11

<u>Issue No:</u>	200			
<u>Date of Finding:</u>	08/25/2010			
<u>Est. Completion Date:</u>	09/30/2014			
<u>Responsible Person 1</u>	lgarcia	Name Laura Garcia	Title Senior Accountant	Department Finance
<u>Responsible Person 2</u>	apantin	Anthony Pantin	Senior Accounting Clerk	Finance
<u>Correction Plan Status:</u>	Partially Implemented			
<u>Next Milestone</u>	09/30/2014			
<u>Anticipated Date of Completion</u>	09/30/2014			
<u>Final Date of Completion</u>				
<u>Department:</u>	Finance			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				
<u>Title:</u>	Report #09/10-05 Follow-up review of the audit of the Procurement Services Department Aud Comm #11			
<u>Issue / Observation</u>	<p>The CAO determined that the PSD sets the majority of contracts for no more than a total of five (5) years, including the initial term and extensions. However, the contract could exceed 5 years in special situations such as where the vendor must invest a significant amount in capital or equipment to be able to provide services or when the availability of the good or service in the market place is scarce.</p> <p>The CAO also determined that the City is a party to some contracts whose initial term is greater than 1 year.</p>			
<u>Recommendation:</u>	<p>The City Manager should require the Director of PSD to consider proposing a revision to the Code of Ordinances that would:</p> <ol style="list-style-type: none"> <li>1. Require the length of a contract not exceed four (4) years including the initial term and extensions.</li> <li>2. Allow a contract term not to exceed five (5) years for those contracts in which the vendor has to make an upfront investment of at least \$50,000.</li> <li>3. Incorporate into the Code of Ordinances language from Article 5.11 from the General Terms and Conditions document as follows:</li> </ol> <p>"The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise authorized by law."</p>			
<u>Correction Plan:</u>	<p>Management concurs: PSD will begin the change to the length of contracts, with that release for bidding on or after July 1, 2009. Management believes that at times there may be an occasional exception to the policy of four years, and would request Commission approval of these exceptions prior to release of a formal solicitation.</p> <p>Follow-Up Action – The Procurement Department has implemented changes into new solicitations and subsequent contracts. Code of Ordinance is currently being reviewed between PSD and CMO.</p>			

Current Status:

Status – Partially complete

1. Require the length of a contract not exceed four (4) years including the initial term and extensions. - Not currently in ordinance but done in practice and placed in bid documents

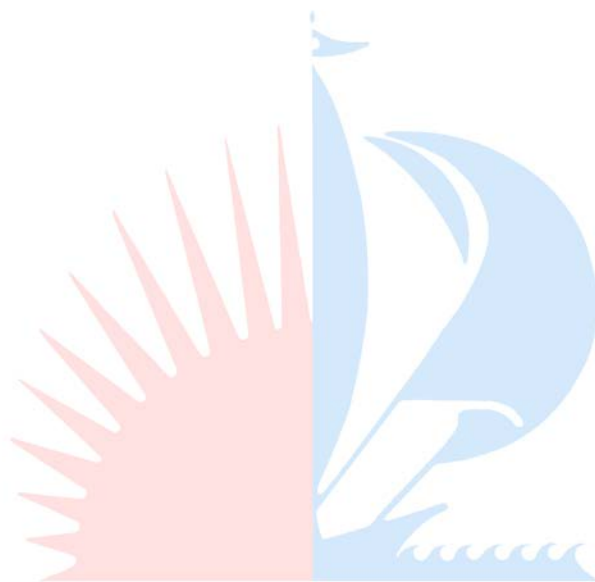
2. Allow a contract term not to exceed five (5) years for those contracts in which the vendor has to make an upfront investment of at least \$50,000. - Not currently in ordinance but done in practice and placed in bid documents

3. Incorporate into the Code of Ordinances language from Article 5.11 from the General Terms and Conditions document as follows:

"The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise authorized by law." - Not currently in ordinance but done in practice and placed in bid documents

Status 6/26/2014 - Partially implemented - done in practice but has not been added to ordinance.

# Fire Rescue



# Report #07/08-5 Audit of the Fire Bond Finding #ES-4

Issue No: 211  
Date of Finding: 04/01/2008

Est. Completion Date: 09/30/2013

Responsible Person 1 pvandenberge

Responsible Person 2

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion

Final Date of Completion

Department: Fire Rescue

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #07/08-5 Audit of the Fire Bond Finding #ES-4

Issue / Observation Observation ES-4: The greatest risk for the Fire Station Bond Program to be completed under \$40 million is the City's ability to re-furbish FS 54 and 13 for under \$1.3 million each. The premise of the October 2007 Program Rebaseline is that the City can save \$5.6 million by refurbishing FS 54 and 13 instead of building new ones. By doing so, the City can offset the \$2.5 million cost increase on FS 47 and 53, as well as the \$0.6 million Bond issuance costs and the \$2.5 million increases set aside for six of the remaining new stations. SBC believes that the greatest risk for the Fire Station Bond Program to be completed under \$40 million lies within these two refurbished fire stations (FS 54 and 13). The current rebaseline estimates that FS 54 and 13 can be refurbished for \$1.3 million each (\$1.0 million for construction and \$0.3 million for engineering, management, and inflation).

Recommendation: The City is currently undertaking a structural, mechanical, and electrical review of these two fire stations to get a better understanding of the effort and costs necessary for the refurbishment. While it's possible that the studies may show that the stations can be refurbished for \$1.3 million, they may show that the refurbish costs would be significantly more than \$1.3 million. If this occurs, the most viable and economically feasible option may be to build new stations. Under this scenario, the Program would need an additional \$6 million to complete the Program (see Table 3). This cost estimate is based on building stations comparable to the current "satellite" and "Battalion" station sizes of 10,000 and 12,000 square feet. Costs may differ if the two stations are sized differently or due to their schedule.

Correction Plan: Management Response: Management concurs with Observation. Management's October 2, 2007 report and presentation stated that part of the rebase lining plan was that Fire Stations 54 and 13 would be renovated. (See CAR 07-1599 attached). Management informed the FSBBC and City Commission that an in-depth analysis of renovation verses replacement of the two stations would be completed. The cost effectiveness of renovating or building two new fire stations is currently under review by management. The review includes costs associated with the findings of (for each station):

- Structural evaluation to all relevant current building codes
- Mechanical, Electrical and Plumbing evaluation to current Building Codes in addition those needed for current Fire operations
- Architectural and interior improvements necessary for Fire operational needs

The reviews are underway and are expected to be completed in April 2008.

Implementation: Detailed renovation costs will be presented at which time further decisions will need to be made by the Commission.

Current Status:



# Report #10/11-01 Finding 7 Controlled Substances

Issue No: 246  
Date of Finding: 10/15/2010

Est. Completion Date: 09/30/2013

Responsible Person 1 pvandenberge

Responsible Person 2

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion

Final Date of Completion

Department: Fire Rescue

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #10/11-01 Finding 7 Controlled Substances

Issue / Observation

Condition  
The CAO found that a single alarm code is shared by FRD Division Chiefs.  
Auditor Note: Management has already implemented new procedures to correct the deficiencies regarding access that were detected during the course of our audit.

Criteria  
Under the COSO framework Control Activities component 3.1 "Responses that reduce or share specific risks", physical safeguarding and access controls are a standard element of the internal control environment.

Cause  
FRD has not assigned each FRD Division Chief their own unique passcodes to the Support Services building.

Impact  
The safeguarding of inventory warehoused at Support Services is compromised by not effectively monitoring access to Support Services.

Recommendation: The CAO recommends that the City Manager require the Fire Chief to implement a key card access system, similar to that already in use in other City facilities.

Correction Plan: Agree. The process was underway prior to audit and changes with security (FOB) and camera's, as well as entry logs and accountability of personnel has been implemented.

Current Status:

# Human Resources



# Report #09/10-01 Audit of the Human Resources Department Finding 1

Issue No:	234			
Date of Finding:	12/29/2009			
Est. Completion Date:	09/30/2013			
Responsible Person 1	ktigner	Name Kristin Tigner	Title Talent Manager	Department Human Resources
Responsible Person 2				
Correction Plan Status:	Not Implemented			
Next Milestone				
Anticipated Date of Completion				
Final Date of Completion				
Department:	Human Resources			
Audit Initiator	Commission Audit			
Audit Initiator Other				
Title:	Report #09/10-01 Audit of the Human Resources Department Finding 1			
Issue / Observation	<p>Condition</p> <p>The HRD does not maintain a compilation of major federal and state employment laws and does not conduct self-audits to assure compliance with these laws and regulations.</p> <p>Criteria</p> <p>Under the COSO framework Monitoring component 5.2 "Separate, periodic evaluations of control components", on-going audits are a standard element of the internal control environment. Internal controls in a compliance rich environment require a proactive approach to monitor compliance with major federal and state employment laws and regulations.</p> <p>Cause</p> <p>HRD has not established a compilation of major federal and state employment laws and is not conducting self-audits to verify compliance with those regulations.</p> <p>Impact</p> <p>The establishment of an effective self-audit program may serve to mitigate the risk of non-compliance and decrease the likelihood of punitive fines and reputational loss.</p>			
Recommendation:	<p>The City Manager should require the Director of HRD to comply with:</p> <p>2. Conduct periodic self-audits to assure compliance with these laws and regulations.</p>			
Correction Plan:				

Current Status:

Laws impacting the area of Human Resources are broad, varied, and dynamic. Though an itemized list of the various laws that govern the area of Human Resources is not posted within the department, compliance efforts are required and maintained. Means of achieving compliance include, but are not limited to, the HRD's participation in an Executive Roundtable of public sector HR organizations across South Florida for purposes of benchmarking HR practices, as well as keeping abreast of developments in the field through training and membership in relevant professional organizations including International Public Management Association (IPMA), Florida Public Employees Labor Relations Association (FPELRA), and the Labor and Employment section of the Florida Bar. HRD subscribes to the Fair Labor Standards Handbook, published by Thompson Publishing Group, which is designed to guide HR departments through the complex process of complying with the Fair Labor Standards Act (FLSA). Thompson issues monthly updates covering case law, U.S. Department of Labor, Wage and Hour Division, Administrative Letter Rulings, changes to the various provisions of the FLSA, etc. On an ongoing basis, HR monitors changes in the Family and Medical Leave Act (FMLA) via review of the United States Department of Labor's website as well as other HR publications/websites.

# Report #09/10-01 Audit of the Human Resources Department Auditor Comment 5

Issue No:	236			
Date of Finding:	12/29/2009			
Est. Completion Date:	09/30/2013			
Responsible Person 1	ktigner	Name Kristin Tigner	Title Talent Manager	Department Human Resources
Responsible Person 2				
Correction Plan Status:	Not Implemented			
Next Milestone				
Anticipated Date of Completion				
Final Date of Completion				
Department:	Human Resources			
Audit Initiator	Commission Audit			
Audit Initiator Other				
Title:	Report #09/10-01 Audit of the Human Resources Department Auditor Comment 5			
Issue / Observation	Condition The CAO conducted a review of the employee grievance process and found that HRD is adequately disseminating information on grievance procedures to unionized employees through both the union contracts and the presence of union stewards, but has not provided equivalent resources to non-union employees. Non-union employees are not specifically informed of the grievance procedures, but rather must navigate through the personnel rules to learn how to initiate the grievance process.			
Recommendation:	The City Manager should direct the Information Technology Department to work jointly with HRD to create a user-friendly hyperlink on the HRD website that informs non-union employees of how to report a grievance.			
Correction Plan:				
Current Status:	HRD does not agree with this recommendation as the City's Personnel Rules, which are available on Lauderlink and from HRD, explain the appeal rights for non-union employees.  06/30/2014 mb. No update at this time.			

# Report #09/10-01 Audit of the Human Resources Department Auditor Comment 9

Issue No: 237

Date of Finding: 12/29/2009

Est. Completion Date: 09/30/2014

Responsible Person 1 ktigner

Responsible Person 2

Correction Plan Status: Partially Implemented

Next Milestone 09/30/2014

Anticipated Date of Completion 09/30/2014

Final Date of Completion

Department: Human Resources

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #09/10-01 Audit of the Human Resources Department Auditor Comment 9

Issue / Observation

## Condition

The CAO found that HRD does not publish a comprehensive employee handbook. Instead, HRD relies on the combined information contained in the specific union contracts, the PSM, and the Personnel Rules. These combined documents serve to provide information on many of the topics typically covered in the sample of employee handbooks reviewed by the CAO as well as best practice literature. However, the CAO noted that it was difficult and time consuming to research specific items from among the various sources, which collectively substitute for a traditional employee handbook. This is not a user-friendly method and can leave staff confused and without complete and accurate information.

## Criteria

Under the COSO framework component 4.1 "Mechanisms that support information flow inside the organization" intranet websites and portals, and formal policy and procedure systems are standard elements of the internal control system.

Recommendation:

The City Manager should require the Director of HRD to:

1. Create and publish an employee handbook and/or
2. Create a matrix by employee type and include hyperlinks on the HRD website that would serve to centralize and guide both union and non-union employees to pertinent information pertaining to the City's various policies and procedures as well as other important employee information.

Correction Plan:

Current Status:

Employee handbooks typically contain various policies, including standards of conduct, such as workplace violence, discrimination, anti harassment, and benefits. While the City does not have one official document entitled "Employee Handbook", the previously described information can be found in the City's Personnel Rules, Policy and Standards Manual, Pay Plan Ordinance and the various collective bargaining agreements. The compilation of such information into one document would require a significant outlay of staff resources. Additionally, because an employee handbook is often the focus of employment related litigation, any compilation or drafting of a citywide employment manual would require the involvement of the City Attorney's office and/or outside counsel for constant review and updating. In light of the above, HRD does not agree with the CAO's recommendation.

REBUTTAL

The CAO feels strongly that employee handbooks are such an important resource as to be almost universal in their use. We are unaware of any organization of our size that fails to have a comprehensive handbook to educate and inform employees of their rights, benefits and obligations. While the production of such a resource may be time consuming and detailed, the benefits to the employees far outweighs the cost to the City.

06/30/2014 mb

The Human Resources Department is currently in the process of creating an Employee Handbok.

# Information Services





# Report #07/08-4 Cyborg Payroll System 2.2

<u>Issue No:</u>	55									
<u>Date of Finding:</u>	04/16/2008									
<u>Est. Completion Date:</u>	10/31/2013									
<u>Responsible Person 1</u>	kkeimel	<table><tr><th>Name</th><th>Title</th><th>Department</th></tr><tr><td>Kevin Keimel</td><td>Manager of Distributed Systems</td><td>Information Services</td></tr></table>	Name	Title	Department	Kevin Keimel	Manager of Distributed Systems	Information Services		
Name	Title	Department								
Kevin Keimel	Manager of Distributed Systems	Information Services								
<u>Responsible Person 2</u>										
<u>Correction Plan Status:</u>	Partially Implemented									
<u>Next Milestone</u>	Hire CISO									
<u>Anticipated Date of Completion</u>	06/30/2014									
<u>Final Date of Completion</u>										
<u>Department:</u>	Information Services									
<u>Audit Initiator</u>	Commission Audit									
<u>Audit Initiator Other</u>										
<u>Title:</u>	Report #07/08-4 Cyborg Payroll System 2.2									

<u>Issue / Observation</u>	<p>The actual number of active/authorized users could not be verified through a system generated census report. Five out of six or 83% of a judgmental sample of terminated former employees had active Cyborg user profiles months/years after leaving the City.</p> <p>Auditor Note: The IT Director confirmed that while the Cyborg user profile was still active, the network access for our sample group had been terminated when these former employees left the City.</p> <p>Monitoring and testing of access controls has not been conducted.</p> <p>System access rights should be based on the principle of least privilege and continuously monitored to assure that access rights are appropriately aligned with the information needs of the user.</p> <p>This condition existed because post implementation monitoring and testing of access controls has never been accomplished. The risk to the payroll system can be mitigated with effective access controls.</p>
<u>Recommendation:</u>	<p>The City Manager should require the Information Technology Director to:</p> <ul style="list-style-type: none"><li>• Coordinate with the Human Resources Department and develop a written procedure to date stamp the face of the Notice of Termination upon receipt from HIR and proceed to disable all access permissions to City computer networks and application software by close of business on the employee's last day. The specific programs that were disabled should be noted on the back of the Notice of Termination and the IT staff member should also date and initial the Notice of Termination to document a completed action.</li><li>• The Cyborg System Administrator should consult with the software vendor to create a system generated exception report of terminated employees who may have had Cyborg access permissions. This report should be cross checked against a list of active Cyborg users as a final check to confirm that all terminated employees have had their Cyborg access disabled.</li></ul>

Correction Plan:

The Finding indicated that a judgmental sample of former employees indicated that 83% of such employees still had access records in the payroll system. ITS did review the entire report and had all employees who do have payroll access been examined, only about 8% of the total population were in the situation of having access to the application but no longer employed by the City (14 out of 161). And it is noted that even though some users maintain security profiles within Cyborg it does not mean that they have access to the application because their system-wide access has been eliminated. ITS does concur that such access should be eliminated as soon as possible. Although a user's network access is disabled, current employees in nefarious collusion with separated employees could potentially access the Cyborg application so that door should be closed. Although the recommendation directs ITS to resolve this issue, during discussion of this item with the City Auditor staff it was determined that it is a process that needs to be developed with Human Resources having the lead role as ITS has no means of determining employment except through Human Resources. As soon as we receive notification of separation ITS does disable system access. However, the current process likely does not get that notice to ITS in a timely enough manner in all cases nor for all application access. The procedure needs to be "tightened" and ITS support this recommendation.

Current Status:

The current processes and procedures limit access by turning off network access, but will be revisited by the Chief Information Security Officer once this position is filled.

# Park and Recreation



# Report #11/12-04 Compliance Review of the Bahia Mar Lease Agreement Observation #1

Issue No: 174  
Date of Finding: 07/03/2012

Est. Completion Date: 09/30/2013

Responsible Person 1 sdaley

Responsible Person 2

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion

Final Date of Completion

Department: Parks & Recreation

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #11/12-04 Compliance Review of the Bahia Mar Lease Agreement Observation #1

Issue / Observation While the lease agreement between the City of Fort Lauderdale and Bahia Mar has been in place since 1962, the City Auditor determined that during the years covered by our review there has essentially been no oversight of the lease terms by City staff. The complete lack of internal controls governing oversight and compliance with lease terms represents a material weakness.

Recommendation:

Correction Plan: While it is clear that the City failed to administer the contract appropriately, it is also important to note that management made immediate changes to its oversight practices once it was brought to their attention.

Further, Bahia Mar staff have been extremely responsive in having their CPA firm issue the required audited consolidated financial statements of Baton Holdco II L.L.C. and Subsidiaries, which includes the Bahia Mar Statement of Capital Improvement Reserve Account Balance and Rollforward of Carry-Over Capital Improvement Credit [see Exhibit D]. Based upon our review of these documents, we determined that Bahia Mar is operating in accordance with Article 15 as stated in the preceding paragraph. The CIRA has a carryover capital improvement credit balance in the amount of \$28,092,200, as of December 31, 2011.

Current Status:

8/16/2013: Lessee has provided proof of Petroleum Liability and Restoration Insurance for Third Party Liability for Contamination. Coverage expires March 2014. Lessee has provided proof of fire and extended coverage insurance on the real property in the amount of \$2M. Coverage expires March 2014. Lessee has provided proof of commercial general liability insurance with minimum limits of coverage of \$2M covering bodily injury and property damage. Proof of all required insurance have been uploaded in the insurance folder.

Staff is working with Bahia Mar to gather financial reports required.

4/7/2014: Staff has been assigned to each finding to ensure compliance. CBRE has been contracted for lease management of this property.

6/24/2014:

- Received payment of utilities letter, signed by CFO and managing director, prior to 4/30/2014 (attached)
- Received audited financial statements (attached)
- Received report containing information on gross operating revenues (attached)
- Received updated insurance certificates and had approved by Risk (attached)

# Public Works



# Report #09/10-03 Audit of the Fleet Division Finding 1

Issue No: 75

Date of Finding:

Est. Completion Date: 09/30/2014

Responsible Person 1

dbhaggan

Name

Dayna Bhaggan

Title

Administrative Aide

Department

Public Works

Responsible Person 2

Correction Plan Status: Partially Implemented

Next Milestone

Anticipated Date of Completion 04/30/2014

Final Date of Completion

Department: Public Works

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #09/10-03 Audit of the Fleet Division Finding 1

Issue / Observation

Condition

The CAO found that the existing policies are unclear as to the consequences for abuse of City vehicles by employees.

Criteria

Under the COSO framework component 3.1 "Responses that reduce or share specific risks", policies and procedures that address significant business control and risk management practices are a standard element of the internal control environment.

Cause

The City of Fort Lauderdale has not implemented or included guidance for City employees concerning consequences for vehicle abuse and misuse in the Policy and Standards Manual (PSM). Additionally, individual departments are charged with overseeing this type of employee misconduct and there is no uniform procedure for accomplishing this.

Impact

The absence of citywide policies regarding discipline for vehicle abuse and misuse may lead to the following:

- Increased maintenance costs
- Inefficient utilization of workforce and assets
- Increased occurrences of violations
- Fraudulent activity

Recommendation:

The City Manager should require the Director of Parking and Fleet Services, in conjunction with the Human Resources Department to:

- a) Modify/update the current PSM 8.1.1.1, "Usage of City Motor Vehicles", to expand the definition of abuse and misuse, and corresponding disciplinary actions.
- b) Provide and reiterate the importance of the policy to all departments and add a "How's my driving" sticker to City fleet vehicles, which includes a phone number allowing residents to report potential vehicle misuse.

Correction Plan:

- a) Fleet Services is working with Human Resources, Public Works and Risk Management to revise the current PSM. Our goal is to have a revised policy and procedure for abuse and misuse in place by October 2010.
- b) Fleet Services, Risk Management, Public Works and Human Resources have been exploring safety programs including safety vehicle decals for the fleet. We plan on rolling out a program with the revised PSM, which should be in place by October. This program has a cost that requires Commission's approval.

Current Status:

August 2013 Update:

- a) Not Implemented - Pending, expected implementation April 2014. Fleet Services contacted Carolyn Bean, Human Resources, to implement update to PSM 8.1.1.1
- b) Not Implemented - A "task Force" was formed one or two years ago, the program never got off the ground.

December 2013 Update:

- a) Currently under review by the PSM Review Committee.
- b) Program will not be implemented.

June 2014 Update {Carlos Berriz - Public Works, Fleet Services, Senior Automotive & Equipment Engineer}:

- a) PSM 8.1.1.1 not updated. Contacted Risk Management and Human Resources for additional information.
- b) Fleet Safety Program was not established.



# Report #09/10-03 Audit of the Fleet Division Finding 2

Issue No: 76

Date of Finding:

Est. Completion Date: 05/30/2014

Responsible Person 1

dbhaggan

Name

Dayna Bhaggan

Title

Administrative Aide

Department

Public Works

Responsible Person 2

Correction Plan Status: Partially Implemented

Next Milestone

Anticipated Date of Completion 05/30/2014

Final Date of Completion 06/19/2014

Department: Public Works

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #09/10-03 Audit of the Fleet Division Finding 2

Issue / Observation

Condition

The CAO was unable to verify the Continuity of Operations Plan (COOP) capabilities.

Criteria

Under the COSO framework component 3.1 "Responses that reduce or share specific risks", disaster recovery plans are a standard element of the internal control environment.

Cause

Fleet Services Division has not tested its Continuity of Operations Plan, "COOP" since its creation on February 28, 2007.

Impact

Fleet Services Division may not have adequate contingencies in place to ensure continued operations in the event of an emergency.

Recommendation:

The City Manager should require the Director of Parking and Fleet Services to:

a) Test the plan.

b) Continue updating the departmental COOP plan on an annual basis to ensure functionality.

c) Have FVS, or the future vehicle maintenance vendor, be included in the development of departmental COOP plans. Additionally, incorporation of their responsibilities should be considered for inclusion in upcoming contracts.

Correction Plan:

a) Staff will work toward a plan to test the COOP. This is difficult and costly since it will require relocating the set-up and operation of the vehicle maintenance. Staff and FVS are prepared to execute the COOP if we are in an emergency situation.

b) Implemented: The COOP plan was updated January 2010.

c) Implemented: FVS was involved in the development of the original COOP as well as updates. The current contract does have provisions in it for emergency situations. The specifications for the RFP for the new vehicle maintenance contract included revised provisions requiring the Provider to participate in the Fleet Services COOP plan as directed by City personnel.

Current Status:

August 2013 Update:

- a) Not Implemented - Date not established. The plan has not been tested; Fleet Services is in contact with the Emergency Manager to schedule a meeting to formalize a test.
- b) Implemented - The COOP plan was updated on August 2013
- c) Implemented - FVS was involved in the development of the original COOP plan. The current contract does have provisions in it for emergency situations.

December 2013 Update:

- a) COOP review took place with the Emergency Manager on 10/16/2013.

June 2014 Update {Carlos Berriz - Public Works/ Fleet Services, Senior Automotive & Equipment Engineer}:

- a) Not Implemented - In order to fully test the COOP plan, it would be necessary for Fleet Services to completely shut down services for an entire day and coordinate a drill with other departments. Because this is such an immense undertaking, although Fleet Services has a fully reviewed COOP plan, it will not be able to perform a tabletop exercise without involvement of other departments and impacting their daily functions.
- b) Implemented - See August 2013 update
- c) Implemented - See August 2013 update

# Report #09/10-03 Audit of the Fleet Division Finding 6

Issue No: 78  
Date of Finding: 05/07/2010

Est. Completion Date: 10/01/2014

Responsible Person 1 dbhaggan

Responsible Person 2

Correction Plan Status: Partially Implemented

Next Milestone

Anticipated Date of Completion 10/01/2014

Final Date of Completion

Department: Public Works

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #09/10-03 Audit of the Fleet Division Finding 6

Issue / Observation

Condition  
Fleet Services Division was unable to verify Consumer Price Index (CPI) data supplied by FVS, which is a critical component in determining the annual operating budget.

Criteria  
The contract provides that the change in the targeted operating budget cost will not exceed the CPI Transportation Maintenance and Repair category for all urban consumers for all items in the South Florida Region as published in the CPI ninety days prior to the contract anniversary date.

Cause  
Fleet Services Division is not maintaining documentation of the CPI.

Impact  
Fleet Services Division could not verify whether the change in the contract amount was appropriate.

Recommendation:

The City Manager should require the Director of Parking and Fleet Services to:

- Provide adequate justification for an increase, in the event of negotiated cost increases.
- Maintain a file with complete CPI data or other relevant information to document targeted operating budget cost increases over the life of the contract.

Correction Plan:

- Because of budget constraints over the life of this contract, staff has worked with the contractor to keep cost increases at a minimum. Staff negotiated contract increases yearly instead of following standard CPI increases, which provided savings to the City over the life of the contract. Staff did provide the City Auditor with information of these negotiations.
- Staff will maintain a file with all relevant information during the next contract.

Current Status:

August 2013 Update:

Partially Implemented - Estimated implementation date 10/1/2014. The current contract extension for FY 2014 does not include a CPI increase. The rate will remain the same as in FY 2013.

December 2013 Update:

CPI was not a factor in the previous contract. It will be included in the next Fleet Service RFP.

June 2014 Update {Carlos Berriz - Public Works, Fleet Services, Senior Automotive & Equipment Engineer}:

a) The current Fleet Maintenance contract is scheduled to end on 9/30/14, we will request a month to month extension in order to complete some of the language in the new RFP. We have included the recommendation from the City Auditors

Office to include a CPI condition {see section 13.6 of the RFP. The verbiage is listed in the Note section below}.

b) Since the current contract does not have provisions for CPI pricing alternatives, Fleet has not gathered any CPI data for comparison. Moving forward, Fleet Services will begin collecting data pertaining to CPI for any future contracts. The revised contract does have a CPI clause and Fleet Services will compare pricing each year in order to obtain the best option for the City.

# Report #11/12-03 Operational Audit of the Southside School Restoration Project Finding #1

Issue No: 166  
Date of Finding: 06/27/2012

Est. Completion Date: 09/30/2014

		Name	Title	Department
<u>Responsible Person 1</u>	dbhaggan	Dayna Bhaggan	Administrative Aide	Public Works
<u>Responsible Person 2</u>				

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion

Final Date of Completion

Department: Public Works

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #11/12-03 Operational Audit of the Southside School Restoration Project Finding #1

Issue / Observation CAO found that the City received insurance proceeds of \$1,577,408 from Factory Mutual Insurance Company in 2008. With Commission approval, these funds were temporarily deposited into Fund 125/01/Index Code FD12501/Subobject N403; to be appropriated later to specific projects. As of 3/8/2012 the insurance proceeds remained in the holding account and had not yet been appropriated to any projects.

Recommendation: The CAO recommends that the City Manager present a budget amendment to the City Commission appropriating the settlement funds received in 2008. In addition, staff needs to develop a procedure to insure all revenue received is appropriated in a timely manner for its intended use.

Correction Plan: Insurance proceeds and FEMA reimbursements should be allocated to the proper funds within a timely fashion to ensure appropriate accounting and availability of funds to complete designated projects

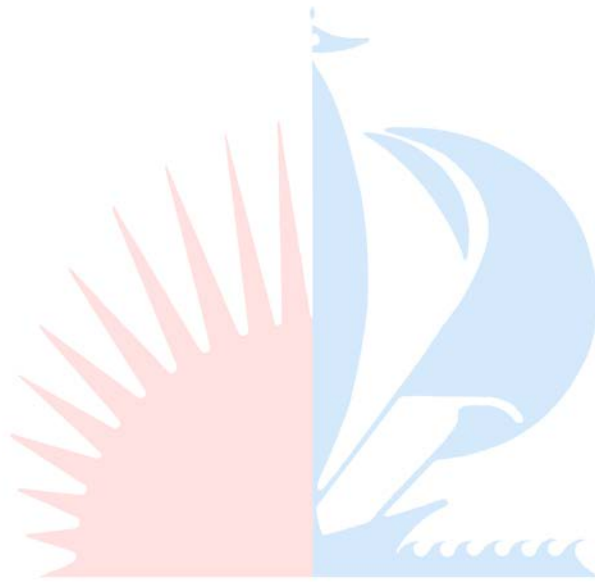
Management concurs with this recommendation. These appropriations will be part of the 2012/2013 Annual Budget adoption. It should be noted here that \$48,483 was for Southside roof repairs. Work was Completed.

Current Status: December 2013 Update:  
No changes to report at this time.

June 2014 Update {Kymberly Holcombe - Public Works, Engineering, Administrative Assistant II}:

Per Ms Holcombe, Risk Management and Finance handled the insurance claim and should have the supporting documentation to allocate the proceeds as appropriate. The funds allocated for Southside (\$48,483) have not been moved under the project code as yet. The assigned Project Manager will be notified.

# Transportation & Mobility



# Report #11/12-02 Operational Audit of Parking Citation Process Finding #1

<u>Issue No:</u>	179										
<u>Date of Finding:</u>	02/22/2013										
<u>Est. Completion Date:</u>	09/30/2013										
<u>Responsible Person 1</u>	dpfeiffer	<table><thead><tr><th>Name</th><th>Title</th><th>Department</th></tr></thead><tbody><tr><td>Darlene Pfeiffer</td><td>Business Manager</td><td>Transportation &amp; Mobility</td></tr><tr><td>Onesi Girona</td><td>Budget Coordinator</td><td>Transportation &amp; Mobility</td></tr></tbody></table>	Name	Title	Department	Darlene Pfeiffer	Business Manager	Transportation & Mobility	Onesi Girona	Budget Coordinator	Transportation & Mobility
Name	Title	Department									
Darlene Pfeiffer	Business Manager	Transportation & Mobility									
Onesi Girona	Budget Coordinator	Transportation & Mobility									
<u>Responsible Person 2</u>	ogirona										
<u>Correction Plan Status:</u>	Partially Implemented										
<u>Next Milestone</u>	Auto Issue										
<u>Anticipated Date of Completion</u>	08/31/2014										
<u>Final Date of Completion</u>	08/31/2014										
<u>Department:</u>	Transportation & Mobility										
<u>Audit Initiator</u>	Commission Audit										
<u>Audit Initiator Other</u>											
<u>Title:</u>	Report #11/12-02 Operational Audit of Parking Citation Process Finding #1										
<u>Issue / Observation</u>	<p>Condition:</p> <p>Voided citations were approved in the Auto Issue system with no indication of why they were voided by the Parking Enforcement Specialist (PES). During testing, the reason for voiding 38 of 110 (34.5%) citations was not clearly explained.</p> <p>Auditor Note: During subsequent testing, the Police Department provided an explanation for voiding 14 of the citations noted above.</p> <p>The Parking procedure requires that, "Only the PES issuing the citation is allowed to void the parking citation for valid reasons. All voided parking citations need to have the following information written legibly on the parking citations."</p> <ul style="list-style-type: none"><li>-Reason for Void</li><li>-PES initials</li><li>-PES IBM Number (ID)</li><li>-Date of Void request</li></ul> <p>The required number from a permit, placard, or proof vehicle is parked legally, noticed after the citation was issued</p> <p>Cause:</p> <p>There is a lack of communication, training, and oversight between the Police Department and Parking and Fleet Services Department.</p>										
<u>Recommendation:</u>	The CAO recommends that the City Manager require the Director of Parking and Fleet Services provide additional training that emphasizes adherence to procedures regarding appropriate documentation of voided citations.										
<u>Correction Plan:</u>	Management concurs. The PES function was transferred to the Transportation and Mobility Department on October 1, 2011. Training and policy reinforcement are among the duties of the Enforcement Supervisor and voided citations are being documented.										

Current Status:

This item was identified as remaining open by the City Auditor's Office in their June 2014 follow up audit.

7-17-14

The new handhelds are in the final testing and implementation stage and we expect to be entirely out of Auto Issue within the next 5-6 weeks. With the rollout of the new enforcement handheld equipment "Auto Process" goes away. The PESs can now only void a citation, for a two hour window only, if a citizen provides proof that they paid the meter or successfully completed a Pay by Phone transaction. To alleviate the possibility that a complete "reason" be given we enact reason codes, which explain the reason for the void. The PES's are only able to void citations, again for two hours only, using 2038, 39, 40 and 41 (from the proposed void codes attached) In addition the PES attaches a copy of the correct paid receipt and original citation. The system will not allow them to use any of the other void codes. Only the PES Supervisor and Office Supervisor have these permissions.



# Report #11/12-02 Operational Audit of Parking Citation Process Observation #2

Issue No: 181  
Date of Finding: 02/22/2013

Est. Completion Date: 09/30/2013

		Name	Title	Department
<u>Responsible Person 1</u>	dpfeiffer	Darlene Pfeiffer	Business Manager	Transportation & Mobility
<u>Responsible Person 2</u>	ogirona	Onesi Girona	Budget Coordinator	Transportation & Mobility

Correction Plan Status: Not Implemented

Next Milestone

Anticipated Date of Completion

Final Date of Completion 10/01/2012

Department: Transportation & Mobility

Audit Initiator Commission Audit

Audit Initiator Other

Title: Report #11/12-02 Operational Audit of Parking Citation Process Observation #2

Issue / Observation Condition:  
 The Parking Services contract with Law Enforcement Systems, Inc. does not require that a Statement on Standards for Attestation Engagements (SSAE) 16 (formerly SAS 70) "Reporting on Controls at a Service Organization" be performed.

Criteria:  
 Under the COSO framework Monitoring component 5.2 "Separate, periodic evaluations of control components", periodic reviews by internal auditors, external auditors, regulators, ISO auditors, specialists, accreditation reviews, OSHA reviews, examiner reviews and security reviews are fundamental elements of an effective internal control environment.

Recommendation: The CAO recommends that the City Manager require the Director of Parking and Fleet Services to incorporate a SSAE 16 "Reporting on Controls at a Service Organization" into the upcoming RFP process once the current contract with the collection agency expires 12/31/11. Requiring such an audit would enhance confidence in the vendor's internal controls regarding payments on delinquent parking citations

Correction Plan: Management concurs. The RFP required a SAS 70 and was issued before this report was released to us. The requirement was recommended by the Auditor's office to Commission to require a SAS 70 with the bid response and an SSAE 16 annually after award.

Current Status: SAS 70s will be required in any subsequent RFPs.

The SSAE16 from Penn Credit is requested each year by the Department Budget Coordinator. The current year audit and report are underway and will, according to PennCredit, be completed by the end of July. We expect to receive it in August and will follow up with the vendor.

This issue was identified as remaining open in the City Auditor's follow up audit that was issued in June 2014.

# Report #11/12-02 Operational Audit of Parking Citation Process Observation #3

<u>Issue No:</u>	182			
<u>Date of Finding:</u>	02/22/2013			
<u>Est. Completion Date:</u>	09/30/2013			
<u>Responsible Person 1</u>	dpfeiffer	<u>Name</u> Darlene Pfeiffer	<u>Title</u> Business Manager	<u>Department</u> Transportation & Mobility
<u>Responsible Person 2</u>	ogirona	Onesi Girona	Budget Coordinator	Transportation & Mobility
<u>Correction Plan Status:</u>	Managment Non-Concurrence			
<u>Next Milestone</u>				
<u>Anticipated Date of Completion</u>				
<u>Final Date of Completion</u>	10/01/2012			
<u>Department:</u>	Transportation & Mobility			
<u>Audit Initiator</u>	Commission Audit			
<u>Audit Initiator Other</u>				
<u>Title:</u>	Report #11/12-02 Operational Audit of Parking Citation Process Observation #3			
<u>Issue / Observation</u>	<p>Condition: Parking Services is not engaged in benchmarking activities with regard to parking citations and collection rates.</p> <p>Criteria: Under the COSO framework Information and Communication component 4.3 "Indicators and measurements", metrics, key performance indicators, measures and scorecards of performance, dashboards, benchmarking studies, heat maps, market share reports and competitor analysis are fundamental elements of an effective internal control environment.</p>			
<u>Recommendation:</u>	The CAO recommends that the City Manager require the Director of Parking and Fleet Services to perform benchmarking activities and analyze collection rates in comparison with other cities.			
<u>Correction Plan:</u>	Management concurs. These activities are underway, at the City Manager's direction, with respect to the current creation of benchmarking initiatives, performance measures and strategic planning processes.			
<u>Current Status:</u>	After extensive research and discussions with professional parking associations, we have concluded that there is insufficient benchmarking data available to make a reasonable comparison to delinquent collections in other parking organizations under similar constraints and legal environment. We respectfully request that this audit item be closed.			

## Update Regarding Compensated Absences Comprehensive Annual Financial Report (CAFR) Finding

Audit Advisory Board  
July 31, 2014

**External Audit Recommendation: The City should review the mechanics of the unused sick leave liability calculation and determine whether the process can be automated in order to alleviate the need for manual calculations.**

For at least the past four (4) years, the independent auditor has included a finding regarding these compensated absences in the Comprehensive Annual Financial Report (CAFR), recommending that the process be revised and/or automated (Exhibits 1 through 4). Since the automation of this process is not possible at this time, the City has pursued revising the calculation methodology.

For Management and Confidential employee group employees, Section 20-78(b) "Pay upon termination of employment – Generally" of the City's Code of Ordinances delineates how the vacation, management vacation and sick accrued, unused leave balances will be paid out at time of separation from the City. For employees in other employee groups, the respective collective bargaining agreement outlines how their accrued, unused leave balances will be paid out.

Pursuant to Section 20-78(b), for vacation leave balances, leave is paid out at the rate of pay in effect at the time of separation. When an employee utilizes sick leave, the most recently accrued leave is used. This represents a Last In, First Out (LIFO) methodology. For an employee who has been with the City for some time, when they use sick leave, they are using the leave they accrued recently, while the leave they accrued earlier in their tenure still stays in their leave bank.

Sick leave balances are paid out at different percentages depending on the reason for separation (retirement, in good standing or not in good standing) and depending on the employee's years of service with the City, as demonstrated in the chart below.

<u>Type of Separation</u>	<u>Years of Service</u>	<u>Percentage Paid Out</u>
Retirement	10 or less	50%
	Greater than 10, but less than 20	65%
	20 or more	80%
Separation In Good Standing	10 or less	25%
	Greater than 10, but less than 20	45%
	20 or more	65%
Separation Not In Good Standing	All	0%

The City is unable to electronically track the unused sick liability because of payroll system limitations and data still existing in paper files for many employees. When an employee separates, Human Resources must review both electronic and paper files for the employee and determine the rate at which each hour of sick leave in their sick leave balance was earned. The separation calculation is performed

manually using a spreadsheet and can be cumbersome depending on an employee's length of service, and increases the potential for errors in the calculation of the unused sick liability as of the end of each fiscal year.

Similar provisions are in place for those employees covered by the Collective Bargaining Agreements (CBA) with:

- International Association of Fire Fighters ("IAFF"),
- Federation of Public Employees, A Division of the National Federation of Public and Private Employees, AFL-CIO, affiliated with District 1 - MEBA (AFL-CIO) ("Federation"), and
- Teamsters Local Union No. 769, Affiliated with International Brotherhood of Teamsters ("Teamsters")

The City has simplified the computation of sick leave payouts for two Employee Groups (Fraternal Order of Police (FOP) – Police Officers and Sergeants; and FOP – Police Lieutenants and Captains) through their CBAs. For these employee groups, sick leave payout calculations will be based on 28% of total accrued, unused sick leave hours at the employee's final rate of pay. The CBAs for the remaining unions are open for negotiations, and the City is proposing identical provisions.

For those employees not covered by a collective bargaining agreement (Management and Confidential employee groups), the mechanism to change the methodology is the modification of Section 20-78(b) of the Code of Ordinances addressing the leave payout. As with the FOP groups, the City is recommending revising the sick leave payout calculation for the Management and Confidential employee groups to be 28% of total accrued, unused sick leave hours at the employee's final rate of pay, effective October 1, 2014. This is currently scheduled for first reading on August 19, 2014.